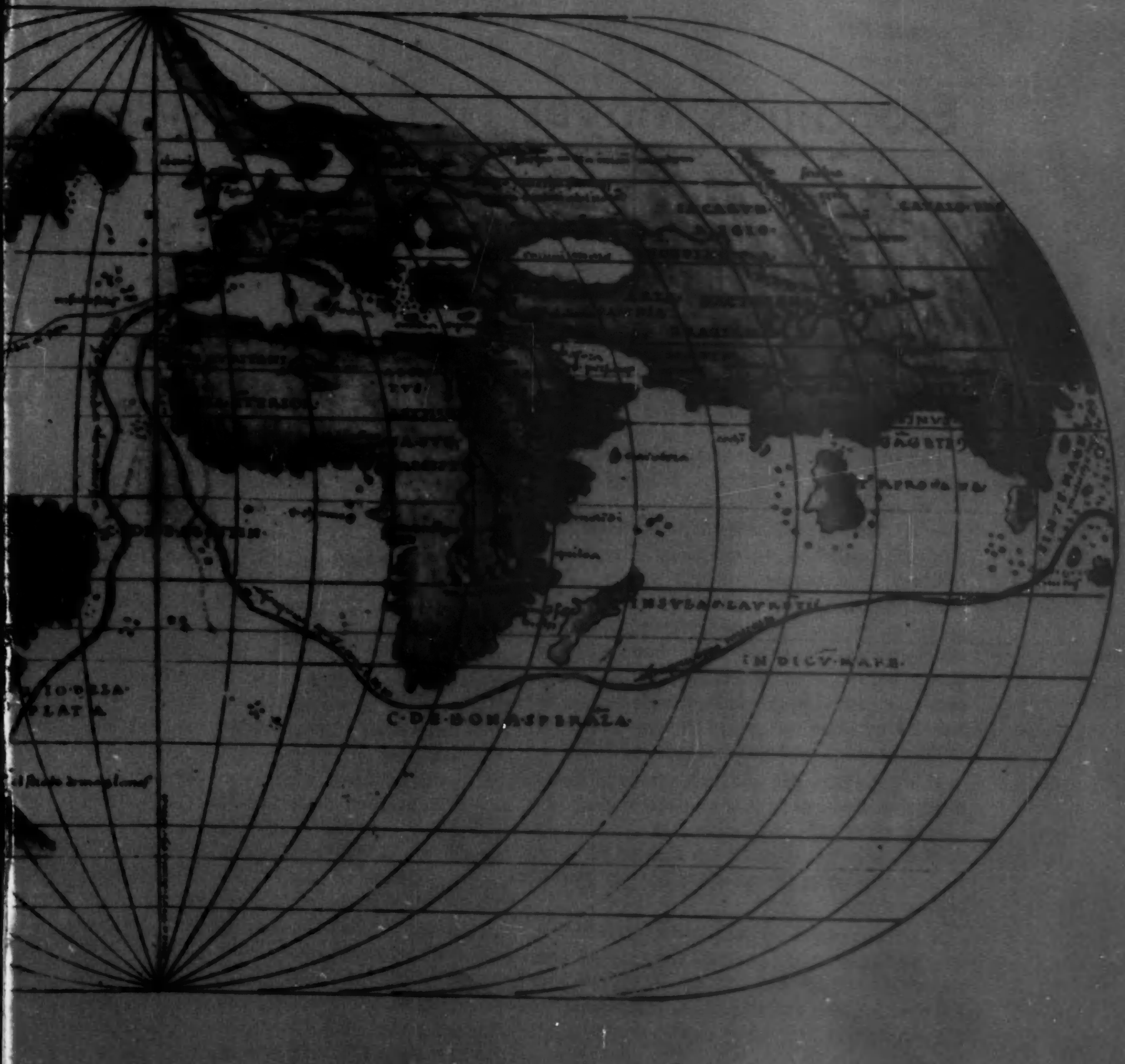
DEPARTMENT OF COMMERCE ★ UNITED STATES OF AMERICA ★

JANUARY 21, 1974

Commerce Today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World Trade Outlook

FROM THE SECRETARY

Economics Moves To Center Stage

This column was written by Under Secretary of Commerce John K. Tabor.

It is hard to imagine a year more turbulent, overall, than 1973 for the United States of America and, indeed, the world, and there remain enormous uncertainties for 1974. But there are some strong tides running and some factors that can be identified. If we do so, and give some proper evaluations to the uncertainties, we may be able to piece together a picture of 1974.

The over-arching certainty affecting both government and industry and labor, indeed all of our people, is that economic and commercial factors will dominate international affairs, displacing in primacy diplomatic, military, and purely political moves. This does not mean that such moves will not be going on or that they will be unimportant. It does mean diplomatic, political and military moves will be of lower profile than economic and commercial and that economic and commercial matters will be extremely powerful factors in the relations between nations.

The Russians will continue to build their fleet, and disperse it in the eastern Mediterranean and the Indian Ocean, but it may well be that even the motive for that is Mideast oil and the powerful effect it has on worldwide economy.

A second enduring and underlying factor will be the overall balanced strength of the economies of the United States and of the European Community; also the remarkable aggressiveness and drive of the economy of Japan.

A third element whose effect will be pervasive, though not entirely predictable, is the availability and the price of oil. The increase in import bills for the U.S. in the neighborhood of $12 billion and of roughly comparable amounts for Japan, with an even higher proportional impact, is going to have a number of repercussions.

There are, of course, questions: will the high cost of oil open new markets for the U.S. because of our greater ability to absorb the cost and reduced volume or will the higher price of oil merely stimulate the Japanese, Koreans, Germans and others to greater export effort, making them even more competitive?

It is our best estimate here today that the year 1973 has closed with the U.S. having a trade surplus. We made a remarkable turnabout from the $6.4 billion deficit of 1972 to an $836 million surplus, at an annual rate, in the period January through November 1973. High-cost oil, imported during December of 1973, may alter that surplus somewhat.

In 1974, on the other hand, our best estimate is that, unless we do an unprecedented job of exporting, or unless there is a price rollback on petroleum, we shall have a trade deficit. We in the Department of Commerce, working through the President's Export Council, the President's Interagency Committee on Export Expansion (the private sector effort and the government effort), and the Domestic and International Business Administration, are committed to doing all possible to accomplish that unprecedented job and also end 1974 with a surplus.

John K. Tabor

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ECONOMIC
HIGHLIGHTS

Some Further Decline In Interest Rates Seen; Inflation Premium May Prevent Major Drop

Economic Highlights is prepared by Dr. Sidney L. Jones, Assistant Secretary of Commerce for Economic Affairs.

Interest rates generally have receded from the record post war highs of late summer. Expectations of a slowdown in the pace of economic activity during the first half of the year would normally result in further declines. The current high rate of inflation, however, may hold short-term rates close to their present levels and prevent any substantial decline in the long-term rates. The marked rise in interest rates last year resulted from a very strong demand for credit, a continuing concern over the rate of inflation and a moderate restriction of monetary policy.

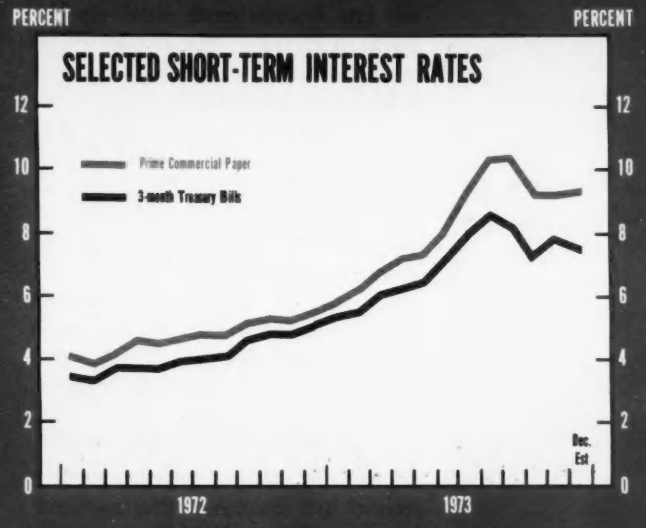
The sharp escalation of short-term interest rates last summer was reversed by late September as the money markets reacted to the exaggerated movement. At the same time, widespread anticipation of an easier monetary policy, in addition to the slower pace of growth in the economy, helped to push down interest rates. Improvement in our balance of payments position and the added strength of the dollar in foreign markets also strengthened the domestic money markets. Commercial paper rates and prime bankers acceptances, both of which rose about 5 points during the first nine months of 1973, declined about 1½ points by year end.

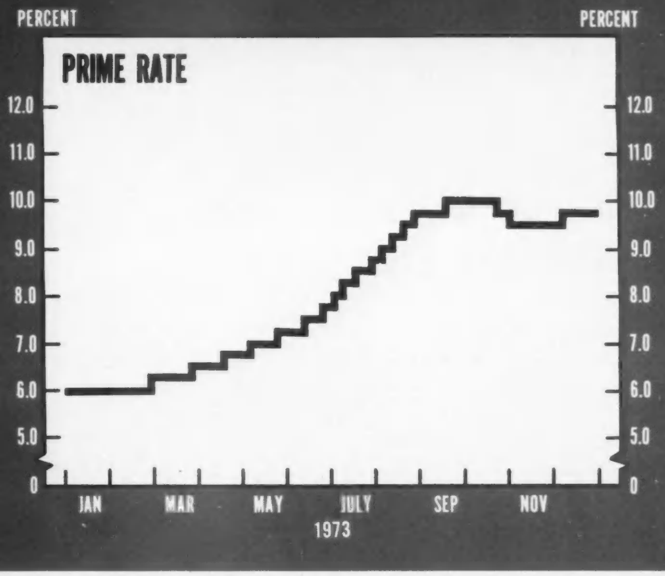
The prime interest rate on loans to large corporations jumped, in a series of 16 steps, from 6 percent at the end of 1972 to 10 percent by early October 1973. This rate surpassed the previous all-time high of 8.5 percent reported in late 1969 and early 1970. The efforts by the Committee on Interest and Dividends to moderate the rise in bank leading rates led to a substantial substitution of bank loans for borrowing in the commercial paper market. This situation has now been reversed as commercial paper rates declined more sharply than the prime rate after September and the volume of business loans virtually leveled off.

Treasury bill rates in 1973 reflected the advance in money market rates generally. The 3-month bill rate increased sharply from about 5 percent at the end of 1972 to almost 9 percent by mid-August. The previous monthly peak for this rate was 7.87 percent in early 1970. The bill rate then dropped sharply in September, turned around again in early November, and then declined again later in the month. By yearend the bill rate was below its 1970 peak.

Rising short-term rates and continuing concern over inflation placed some pressure on long-term bond prices during 1973. This was moderated, however, by the relatively light corporate bond calendar for new issues. The increase in long-term bond rates was quite mild compared with the rise in short-term rates.

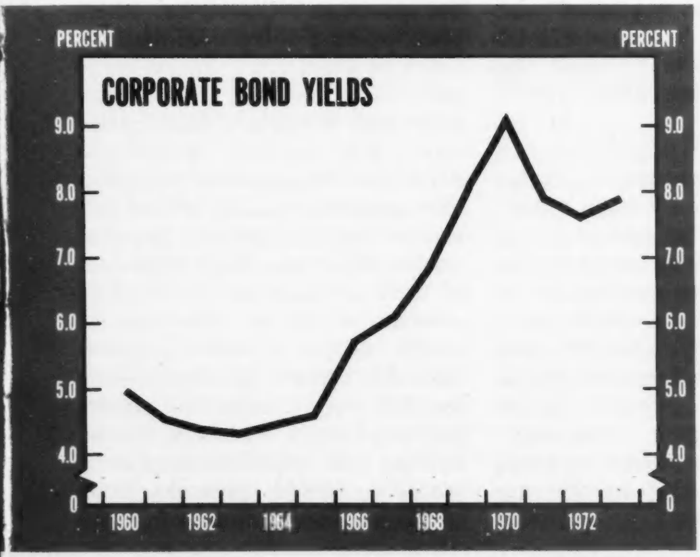
A strong demand for residential mortgages coupled with weak deposit growth at thrift institutions pushed mortgage rates sharply upward in 1973. As has been the case so many times in the past, the weak deposit growth resulted from disintermediation by





savers who invested their funds in money market instruments with higher yields. Mortgage interest rates rose to a peak of over 9 percent by October 1973, but have since receded slightly as mortgage demand has slackened and deposit flows improved. Mortgage rates are still higher than they were at the end of 1972.

The outlook for interest rates in 1974 is obviously clouded by the general uncertainty about the economy. The expansion of business loans should continue to be relatively strong, although perhaps not as robust as last year's 20 percent increase. The strength of this demand will depend greatly on the extent of business inventory accumulation, which is a major unknown in the outlook for 1974, business capital outlays, and the extent to which firms use money raised in the capital markets to fund part of the short-term debt they accumulated last year. The demand for consumer credit should diminish if consumer spending for durables, particularly automobiles, continues weak. The decline in residential construction that started last year will continue at least into early 1974 and this should further reduce the demand for mortgage credit.



Spending at the state and local level will probably not change much in 1974, but the growth of revenues may slacken as the economy slows down. Therefore, the volume of State and local government bond issues is expected to be greater than in 1973. Federal Government borrowing was relatively light last year and should be moderate in 1974, although actual needs will depend largely on how well the economy performs during the coming months.

On balance, it appears that money market rates could decline further from their peaks of last fall while long-term rates may not decline much, if at all. In any event, it is almost certain that the broad range of interest rates will continue to include a substantial inflation premium that will prevent interest costs from dropping sharply during the coming months or from declining to levels that are as low as what one might expect from the consensus economic forecast for 1974.

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Vol. IV, No. 8
January 21, 1974

U.S. Trade Forecast For 1974: Oil Prices To Halt Improvement

Prospects for a further improvement in the U.S. foreign trade position this year have been sharply altered as a result of recent pricing developments in the world petroleum market.

It now appears that economic forces at home and abroad which had been expected to produce a substantial U.S. trade surplus in 1974 will be more than offset by the higher petroleum import bill resulting from the enormous price increases announced by Persian Gulf producers Dec. 21 and later followed by other suppliers. Thus, under these changed circumstances, the U.S. merchandise trade balance could again move into a deficit of several billion dollars.

In 1973, as a result of a much faster rise in exports than imports, the United States ran a surplus compared to a deficit of $6.4 billion in the preceding year. This surplus amounted to $836 million in January-November period for which figures are now available. Exports soared more than 40 percent above their 1972 total to around $70 billion, while imports advanced one-fourth to about $69 billion.

Export growth to slow

Exports will continue to advance this year in value, but the growth rate will be substantially slower than the spectacular gain recorded in 1973. Business activity in the industrial countries, which constitute the major U.S. foreign markets, was expected to moderate in 1974, causing a reduction in the rate of export gain, even before the fuel shortage became apparent. It now appears that foreign economic growth may be curtailed more than anticipated since the industries of Japan and Western Europe are heavily dependent on imported petroleum. Some of our exports could benefit from product shortages overseas, but others could be hurt by reduced demand.

On the other hand, the exchange rate realignments of the past two years may continue to enhance our competitive position, though the dollar has strengthened considerably against a number of key foreign currencies, especially in recent weeks. Moreover, U.S. shipments of farm products are expected to continue strong for some time as world supplies remain relatively tight and prices high, despite better 1973 crops. Finally, the rapidly growing foreign exchange reserve position of petroleum-producing countries should generate some additional demand for our exports.

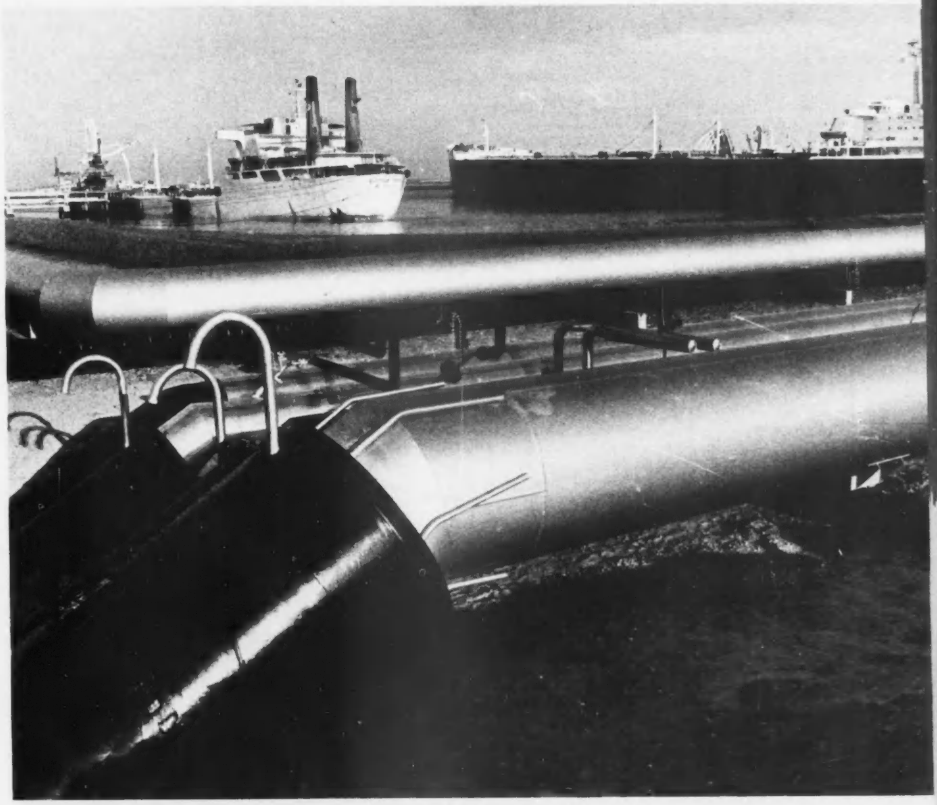
The anticipated rise in the cost of petroleum from abroad and the expected advance in prices of other products will be sufficient to insure an expansion in the value of total U.S. imports at least as great as that in 1973. In the coming months, however, growth in the quantity of imports may be restrained by the slowdown in U.S. economic activity and the further demand-dampening effects of the currency shifts and inflationary forces abroad which have raised prices of foreign goods.

Huge rise in oil costs

The sharply higher bill for petroleum will dominate the import picture in 1974. The additional cost of petroleum could be $12 billion on the assumption that first, the Arab embargo continues throughout the year and there will be some increases in volume from non-Arab sources, and, second, the import price will rise from an estimated $3.25 per barrel for crude oil and products in 1973 to an average of around $10 in 1974. This bill could be reduced only if prices were rolled back significantly without a corresponding increase in the quantities imported.

Another increase in imports of other industrial supplies can be expected in light of growing U.S. dependence on foreign sources for certain commodities and further price increases. Last year, strong demand and climbing prices combined to swell purchases of industrial materials by approximately 30 percent.

Lumber purchases will rise more slowly than last year because of reduced residential construction and some weakening in prices. Imports of steel products will probably increase in value despite a further decline in volume due to tight supplies overseas induced by energy shortages. Despite the possibility of strike-hedge purchasing of copper in the first half of 1974 combined with rebuilding of depleted inventories, the quantity of imports for the year as a whole is expected to remain at the 1973 level. Moreover, aluminum purchases are not likely to advance since supplies released from U.S. Government stockpiles will continue to dampen the rate of import demand.



MAJOR 1974 WORLD TRADE FACTOR—*Sharply increased prices in the world petroleum markets form the key element in this trade forecast and in many of the regional and single-country assessments throughout this issue. These pipelines in the Rotterdam Europoort area, affected by the Arab embargo, connect not only with refineries in Amsterdam but with others in Antwerp and the Ruhr.*

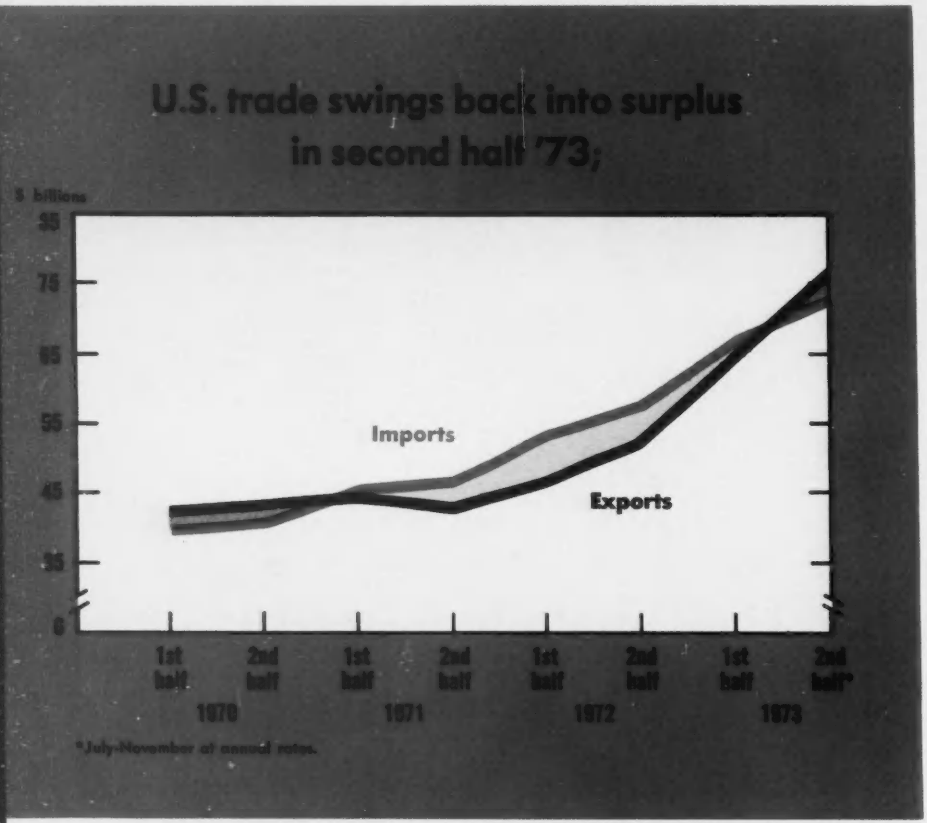
Slower consumer imports

Last year, imports of consumer goods increased more slowly in value as higher foreign prices resulting from the currency shifts and inflationary forces retarded the quantities purchased. Arrivals of consumer goods will probably decelerate again in 1974, as further price increases weaken demand and supplies from abroad are reduced because of energy shortfalls.

Prospects for automotive imports are particularly clouded by the unpredictable effects of the fuel shortage. Although 1974 is not expected to be a good automobile year generally, tight fuel supplies and the rising price of gasoline will further stimulate consumer demand for the smaller cars which constitute a major proportion of Canada's output and dominate imports from other countries. An increase seems likely in imports of automotive products from Canada, particularly if U.S. plants must curtail production due to the energy crisis.

While demand for foreign cars may be expected to grow, the prospect of serious production difficulties abroad places the outlook for these imports in doubt. Overall, it appears that the rise in value for automotive imports should be below last year's rate of advance, even with increased prices because of new safety equipment and higher costs.

Purchases of consumer electronic


U.S. trade swings back into surplus in second half '73;

*July-November at annual rates.

products—largely radios, television sets, and audio tape equipment—decelerated markedly last year, mainly because of higher prices and, to some extent, the establishment of production facilities here by foreign firms. These factors, plus the anticipated slowdown in U.S. personal consumption expenditures, indicate another relatively moderate expansion in these imports in 1974.

Purchases of capital goods are expected to increase again with continued strong spending on plant and equipment. Entries of machinery climbed by nearly two-fifths last year and can be expected to advance further in 1974. Arrivals of electronic components rose rapidly, and should climb in coming months as shortages of some components will stimulate imports. Expanding domestic capacity to produce semi-conductors could, however, slow the expansion in the latter half of the year. Imports of farm machinery will probably rise steeply, as they did last year, since increased U.S. agricultural production and high farm incomes will boost demand.

Purchases of trucks from Japan and U.S. subsidiaries in Canada will continue to rise, but at a slower rate. The gasoline shortage may reduce usage of campers with a consequent negative effect on imports. The inflow of aircraft parts and engines, mainly from the United Kingdom and Canada, will also increase.

"The trade outlook presented here points up the timeliness of President Nixon's appointment of a President's Export Council and his reactivation of an interagency export expansion committee. These groups, designed to focus the attention of business and government on the need for further expansion of exports, have a substantial task and responsibility ahead of them in 1974."—Secretary of Commerce Dent.

Food purchases to decelerate

Following last year's nearly one-fourth advance in the value of food and beverage entries, which largely reflected price increases, imports should again rise in 1974 for the same reason, as supplies abroad continue tight for some products. Lower stocks in producing countries will probably reduce the quantity of coffee imports, but further price increases can be expected. Intensified competition from other countries for meat supplies will limit quantities available for shipment here, but unit costs will rise. Sugar imports, after advancing only slightly in 1973, will accelerate under the influence of lower U.S. production. Quota increases for cheese and butter more than doubled the inflow of dairy products last year. These imports are expected to remain buoyant as a result of strong demand.

Nonfarm exports up again

Although machinery shipments are to decelerate substantially compared to the 30 percent increase recorded in 1973, these sales will again be in the forefront of the expected expansion in nonagricultural exports. Deliveries against last year's orders and demand for more efficient equipment should sustain exports for some time, particularly of our technologically sophisticated and large-capacity equipment. Moreover, the currency shifts over the past two years will continue to give U.S. manufacturers some competitive edge, although part of this advantage has been eroded by the appreciation of the dollar relative to key foreign currencies in the past few weeks. American firms may face intensified competition in some lines as foreign producers respond to governmental pressures to increase exports in order to help pay for higher oil import bills.

MACHINERY EXPORTS IN FOREFRONT FOR U.S.—*Deliveries against last year's orders and the continuing drive for more efficient equipment should spur sales of U.S. machinery abroad, against intensified competition and slackening industrial activity. Scene above is in the U.S. Exhibition at the Interpack '73 show in Germany.*

Given the U.S. technological lead in the manufacture of data-processing equipment and the growing need abroad for the cost-cutting advantages of automation, exports of electronic computers and parts should rise further in 1974. Deliveries of this equipment were a major factor in the strong machinery export advance in 1973. The huge expansion in shipments of semiconductor devices and parts recorded last year is not likely to be repeated, in light of the generally slower pace of economic activity abroad in 1974 and shortages of some components. Nevertheless, continued growth is anticipated in shipments to Western Europe and Japan and U.S.-affiliated firms located in the developing countries.

Further gains are also expected in exports of mining and well-drilling equipment, which rose steeply last year in response to expanded oil exploration activity around the world. Another good year is also in store for agricultural machinery exports as relatively high prices for many commodities should attract greater farm production abroad.

Expectations of lower auto sales in 1974 on both sides of the border indicate a slowdown in the growth of automotive exports to Canada. Last year, these shipments rose by one-fifth. A major factor underlying the continued expansion of such exports is a further shift in consumer preferences toward smaller cars, which will require greater shipments to Canada of parts for assembly.

In 1973, sales of civilian aircraft climbed substantially, mainly reflecting greater deliveries of medium-range wide-bodied jetliners. Further gains in these exports and in aircraft parts can be expected in the months ahead, but the increase will be smaller than last year's. This outlook may be altered, however, if foreign airlines find it necessary to spread out deliveries in response to service cutbacks caused by fuel shortages.

Strong economic activity abroad and some product shortages were the main reasons for the buoyancy of exports of various manufactures for industrial use last year. Forecasts for reduced economic growth in major markets point to a smaller expansion in these shipments, which are particularly sensitive to cyclical conditions. The strong, one-third rise in 1973 chemical exports stemmed mainly from vigorous foreign demand and short supplies. Another gain will probably be recorded in 1974, but the advance will be held down by softer markets and supply constraints, related to the shortage of petroleum which is important both as an energy source for many chemical processes and as a raw material.

After recording a large increase last year, steel exports may show a further moderate rise in coming months, barring any significant production cutbacks in this country. Limitations on exports of steel scrap continue in effect, and these shipments are expected to decline. The advance in paper deliveries in 1973 was mainly due to higher prices, as heavy domestic demand limited the quantities shipped. Though availabilities for export will probably again be limited, foreign demand should continue relatively strong, and the value of paper sales abroad could edge up.

Some gain in farm shipments

Prospects for exports of agricultural products in 1974 are again favorable, but the expansion will only be a fraction of the huge $8 billion expansion recorded last year. Farm exports are likely to continue at their current record levels through mid-1974, with prices averaging higher than in 1973. Some tapering off in both quantities and price in the second half is anticipated as increases in world production ease supply pressures.

The value of wheat exports should hold at last year's exceptionally high level, as a possible dip in the quantity shipped will be offset by higher prices. Sales

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36 32

TECHNOLOGICAL EDGE STILL IMPORTANT—*Japanese interest in sophisticated U.S. instrumentation was apparent at an exhibition of scientific and industrial instruments at the Tokyo U.S. Trade Center last May. U.S. exports to Japan went up by 70 percent in 1973; prospects this year are for a much smaller expansion, but with the final total still showing an increase over 1973's figures.*

of soybeans will again advance, boosted by continued heavy demand abroad and larger export availabilities. Cotton exports, which climbed strongly in 1973, will rise again in response to further increases in world usage and shortages of man-made fibers.

Rise in sales to Canada

Economic prospects for Canada in 1974 remain bright, and another but more modest increase is expected in U.S. exports to that country. With its own large petroleum production capability, Canada will be less affected by the energy crisis than other industrial countries, and its real growth should proceed at a relatively high rate. Continued buoyant Canadian investment spending in the coming year should generate demand for U.S. machinery and other capital goods. Automotive shipments, which constitute nearly one-third of exports to Canada, will probably show a smaller gain this year, if auto sales decrease as expected.

The outlook for exports to Western Europe is, of course, far less favorable than in 1973. Since economic growth will be reduced —aggravated by petroleum short-will increase more slowly.

This forecast article was prepared by the Commerce Department's International Trade Analysis Staff. Current economic conditions and the outlook for U.S. trade in the majority of countries with which U.S. firms do business are presented on pages 9-74. The 65 regional and country summaries are based on up-to-the-minute reports from U.S. Foreign Service Posts and other sources. Data on U.S. trade with selected countries not detailed in separate articles are presented in tabular form on Page 75.

Reduced prospects in Japan

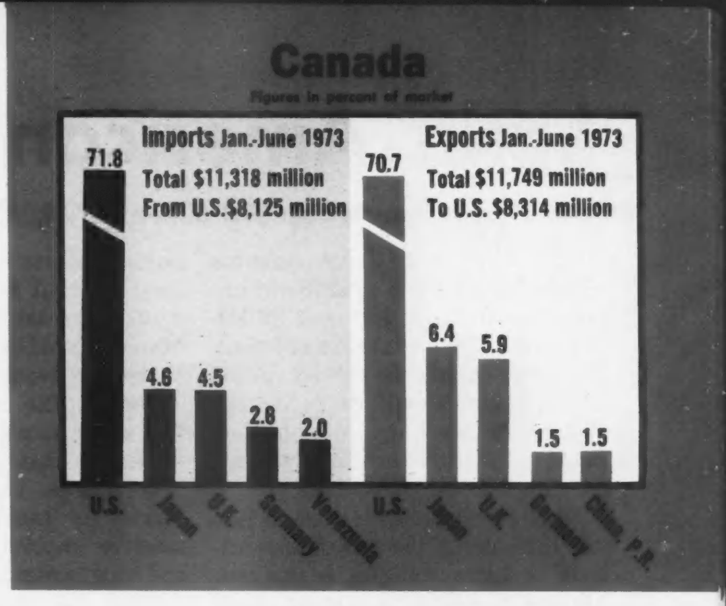
In Japan, too, prospects are for a much smaller expansion in U.S. exports, following last year's unusual rise of 70 percent. The fuel shortage has already forced production cutbacks in key industries and a reduction in Japan's rate of economic growth seems certain, with a consequent dampening effect on our exports. Moreover, sharply higher petroleum prices are likely to enlarge Japan's balance of payments deficit, which may necessitate some restraint on demand. Nevertheless, U.S. exports to Japan should increase, given growing demand for agricultural products and further benefits from the still-appreciated yen.

The outlook for growth in sales to non-oil producers among the developing countries is not particularly favorable, since many of their available funds will have to be used to meet the higher cost of petroleum imports. In contrast, the sharply increased foreign exchange earnings and expanding development programs in the oil-producing nations—which in the aggregate are a much smaller market—should offer opportunities for expanded exports of U.S. goods.

Exports to the Soviet Union, which more than doubled last year on the strength of large grain deliveries, will probably decline in 1974. This forecast is predicated on a likely drop in wheat exports, reflecting a sharp recovery in grain production in that country. Deliveries of capital equipment to the Soviet Union, however, should show further gains. Prospects are for another increase in exports to the People's Republic of China, based mainly on large orders for farm products. Shipments of machinery and other nonagricultural goods, though a relatively small proportion of our total exports to China, are also expected to show an increase.

Canada

Self-Sufficient In Energy Resources, Nation Faces 1974 With Confidence



Despite the looming energy crisis and other anticipated shortages, Canadian economists foresee a relatively healthy growth rate for 1974. Patrick T. O'Connor of Commerce's Office of International Marketing says the optimism is based on the fact that the elements which fueled the broad-based 1973 boom continue to maintain the upward momentum of Canada's economy.

Most experts, though by no means all, feel that real growth may rise by 5 to 5.5 percent in 1974 which could yield a GNP in current terms of about $133 billion. In 1973, real growth was estimated at around 6.5 to 7.0 percent, the largest yearly gain since 1966, yielding an estimated current GNP of about $118 billion.

Foreign trade was in the vanguard of the 1973 boom, with imports up by 23 percent and exports by 23.4 percent through September. Imports from the United States rose by 26.8 percent for the same period, while exports to this country were up by 19.3 percent. These very substantial gains are not likely to be matched in 1974, but fairly good increases are expected.

Guarded optimism

The general aura of optimism was somewhat guarded, though, in the face of two imponderables which might alter the picture considerably over the next twelve months. The first is the worsening shortage of materials and skilled labor which may eventually affect delivery capabilities in high demand industrial sectors. The second is the world energy crisis precipiated by the Arab oil boycott.

Canada is the only developed country which is self-sufficient in energy resources, although it is faced with the formidable task of transporting Alberta oil to the eastern provinces which, up to now, have depended on lower-priced imports from abroad. There is some concern that a prolonged energy crisis will adversely affect Canada's markets abroad and its foreign sources of supply.

Inflation continues to plague the economy, with little real relief in sight except for an expected slackening of the galloping rate of increase in food prices (16 percent in 1973). Running at a rate of about 7.5 percent in 1973, it appears certain that the inflationary trend will continue into 1974 with consumer prices rising by perhaps 6-7 percent.

Corporate profits marked their third successive banner year. At the same time, the increases in average weekly earnings in Canadian industry remained just fractionally ahead of the inflation rate. It seems likely, therefore, that labor negotiations in 1974 will be characterized by heavier wage demands, thus protracting the cost-push inflationary cycle.

Through September total U.S.-Canadian trade amounted to $23.8 billion, the highest bilateral trade volume in the world. Final estimates for the year should reveal another U.S. trade deficit of perhaps $350 million, according to Canadian figures. Although considerably lower than the $1 billion-plus deficits of the past few years, this marks the sixth consecutive year of U.S. trade deficits with Canada. The U.S. share of the Canadian import market through September was 70.6 percent, compared to 68.5 percent over the same period in 1972.

CANADA's chief imports from U.S.: motor vehicles and parts, industrial and farm machinery, office machines including computers, communications equipment, other electrical apparatus, coal.

The 1973 boom was led by consumer goods sales and exports, which have yielded place to a capital building and investment upsurge. The latter were triggered by a 1973 cut in corporate income taxes and accelerated write-off schedules. Capital spending jumped approximately 15 percent in 1973; indications are that 1974 will see an equal rise.

Best sales prospects

U.S. suppliers of capital equipment and construction equipment and supplies should find ready markets in Canada in 1974. A recent survey found expectations of sales equal to or greater than those recorded in 1973 in the following industries: forest products, food and beverage, sporting goods, aluminum products, household appliances, electrical and electronic products, and aircraft, among others. More moderate gains are foreseen for chemicals, printing and publishing, merchandising and public utilities.

Latin American Trade Climbing

U.S. Exports Should Top $10 Billion in '74, As Impact Of Currency Realignment Continues

U.S. exports to Latin America have grown rapidly in 1973 and are expected to total well over $9 billion when final figures are reported. In 1974, shipments of U.S. goods to the region should easily top the $10 billion mark, according to Bernard J. Cahill of Commerce's Office of International Marketing.

Probably the most important factor influencing the U.S. trade outlook in Latin America is the continuing favorable impact of world currency realignments that have taken place over the past year and a half. The resulting greater ability of U.S. suppliers to compete in the Latin American market together with the sustained high levels of economic growth in the major markets of the region indicate encouraging trade prospects in the year ahead. A possible damaging effect on this generally bright outlook will be the limitation on world supplies of petroleum which may hamper economic growth in the region and the ability of the United States to supply the demand for export goods.

Brazil, Mexico, and Venezuela show the greatest growth in the area. U.S. export sales to these countries and to many of the other countries of the region are expected to gain further in 1974. Summaries of the outlook in the countries and regional groups follow:

Brazil. The fast-growing Brazilian economy has stimulated import growth enormously, over 25 percent annually in the last three years. In fact, Brazil is the leading importer among the developing countries of the world. Capital goods and raw materials for the rapidly growing industrial sector play an increasingly important role in the total import picture.

Brazil's export push, a major factor behind the country's rapid development, is stimulating imports. Exports have soared from a level of about $4 billion in 1972 to a 1973 forecast of over $5.5 billion. Manufactured exports alone are expected to reach some $2 billion.

Mexico. The outlook for 1974 is for a continued rise in Mexico's trade, as that country's economic expansion continues unabated. Mexico is heavily dependent on massive imports of capital goods and raw materials to sustain and expand the country's industrial plant. Government development projects also require substantial inputs of imported capital goods. However, rising income from exports and tourism, supported by the liberal availability of international credits, enable Mexico to finance its steadily increasing import bill.

Venezuela. A bill providing for Venezuelan membership in the Andean Common Market has been signed into law. It remains only for one member, Colombia, to ratify the measure for Venezuela's membership to become effective.

Budget surpluses provided by oil revenues are being channeled into joint government-private sector efforts to diversify the economy, chiefly through development of a petrochemical complex and a metallurgical complex. These projects will call for heavy imports of capital goods.

Colombia. U.S. exports to Colombia jumped by almost 34 percent in 1973 to $424 million—chiefly due to a large shift to U.S. suppliers following the dollar devaluation of February 1973 and probably a one-time phenomenon. A smaller but healthy 8 percent increase is predicted for 1974.

Andean Nations. U.S. exports to the Andean Common Market (ANCOM) should grow by 16.7 percent in 1974 to about $2.6 billion, due largely to expanded import capacities. Highly favorable world prices for the major export products of the ANCOM countries have substantially increased foreign reserve levels. While recent dollar devaluations have enhanced the price attractiveness of U.S. goods, credit availabilities and credit terms will continue to be important factors in purchasing decisions, especially in Peru and Chile.

CACM. Excellent world market conditions will exist for most all major Central American export commodities in 1974. This is due in part to the more realistic—that is, favorable — terms of futures contracts for these products that will take effect in 1974.

U.S. suppliers should benefit more than proportionately from this prosperity; the U.S. share of the Central American market can be expected to increase as the full impact of recent dollar devaluations takes effect.

Caribbean. A strong renewed demand for U.S. products in 1973 came from the Dominican Republic, Haiti, Bahamas, Netherlands Antilles, and Trinidad and Tobago, where economic growth also showed good to excellent gains. This expanded U.S. trade should continue into 1974, if the crude oil supply question is resolved.

Argentina. Prospects for high export returns in 1974 are favored by optimistic expectations for grains and other crops and for cattle and other livestock. Also, increases in returns from exports of manufacturers should continue in 1974. Import demand should be sustained for imported supplies essential to industrial, public utility, and agricultural operations. Economic development will call for imports of capital goods.

Political and economic uncertainties still tend to inhibit private enterprise in Argentina.

Caribbean

Tourism, Consumer Needs, Growth, Loans Should Fuel Sizable Increase In U.S. Sales

U.S. exports to the Caribbean area will probably exceed $1.4 billion in 1974, a sizable increase over 1973.

The increase will result from growing tourist expenditures; demand for consumer goods; economic activity in the Dominican Republic and Haiti; growth in assembly industries in Jamaica, Haiti, Barbados, and Trinidad and Tobago; plus international lending agency funding for infrastructure projects in several islands. However, crude oil shortages could dampen the favorable growth forecast, cautions Thomas K. Brewer of Commerce's Office of International Marketing.

Caribbean Imports And U.S. Share

	1972 Imports Jan. through latest month			
	Latest month	From world	From U.S.	U.S. share
		$ million		%
Bahamas	Dec.	485	138	28.4
Dominican Republic[1]	Dec.	391	219	56.0
Jamaica	Dec.	622	232	37.2
Netherlands Antilles[1]	Mar.	205	26	12.5
Trinidad & Tobago	Dec.	753	140	18.6

[1] F.o.b.

The Caribbean Common Market (CCM) published a common external tariff (CXT) in August. Jamaica, Guyana, Barbados and Trinidad and Tobago have or are adjusting their individual tariffs to this model. Lesser developed countries (LDCs), including Antigua, Dominica, Grenada, Montserrat, St. Kitts, Nevis, Anguilla, St. Lucia and St. Vincent, have adopted their own common external tariff, which will be gradually adjusted to the CXT model by 1981 and 1985. Belize still has its own tariff. To assist the LDCs in this trade adjustment period, the Caribbean Development Bank has committed certain funds for development loans exclusively for them.

Jamaica: This island is the largest Caribbean market for U.S. products. Sales are projected at about $275 million for 1974. Foreign loan commitments, which have yet to be drawn down, will fuel increased imports. However, the government has initiated a series of measures to restrict non-essential imports to check an unfavorable balance of payments trend.

Infrastructure projects offering sales prospects include an oil refinery; construction of a large trans-shipment port in Kingston; and a water supply and sewage works in Kingston. The last two projects depend on securing new international bank loans. Private sector opportunities include the manufacture of drugs, chemicals, small metal castings, hardware, water heaters, industrial adhesives and various assembly operations.

Dominican Republic: The second largest Caribbean market for U.S. products should grow to between $250 and $270 million in 1974. The U.S. share of the market may reach 58 percent, up from 52 percent in 1971.

Continuing developments in the construction industry, tourist facilities, water and irrigation works, mining operations and oil refining will improve demands for capital equipment, transport goods and raw materials. Private and public investment projects include a cement plant, a thermal-electric plant, expanded furfural output and an earth satellite station.

Bahamas: The third largest Caribbean market should provide U.S. exporters with $195 million worth of sales in 1974, compared with $174 million in 1973.

Major export opportunities include equipment for an oil refinery, oil exploration and an oil transport terminal, provided crude oil supplies will support the expansion. Tourism, the most important sector of the economy, failed to maintain its growth rate in 1973 and may not show much growth in 1974. Nevertheless, 1.5 million visitors will generate a continuing demand for consumer goods, upgraded hotel facilities, restaurant equipment and some sporting goods.

Netherlands Antilles: These islands represent a surprisingly large market for their size. U.S. exports are projected at $175 million, up from about $150 million in 1973 and $122 million in 1972.

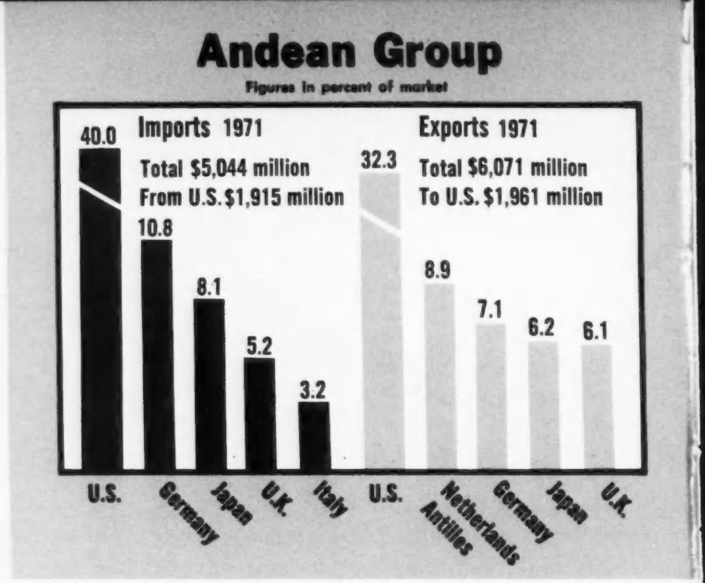
Significant export possibilities include a desalinization plant, equipment for an air navigation system, machinery, construction materials and consumer goods for the tourist industry.

Trinidad and Tobago: U.S. exports to these two islands should reach $150 million in 1974, compared with $134 million in 1973. Best sales prospects include gas drilling and oil field equipment, airplanes, shrimp trawlers, sugar mill and field equipment, water supply equipment, consumer goods and materials and components for the processing industries.

Other markets: U.S. exports to the other Caribbean areas may reach $336 million in 1974, compared with $305 million in 1973. Some country estimates, in millions, are as follows: Haiti, $82; Bermuda, $57; Surinam, $48; Guyana, $46; Barbados, $35; the Leeward and Windward Islands, $33; the French West Indies, $19; Belize, $13; and French Guiana, $3.

ANCOM

Expanded Import Capacities Seen Spurring Substantial 1974 Growth In U.S. Exports



U.S. exports to the Andean Common Market (ANCOM) should grow by 16.7 percent in 1974 to about $2.6 billion, due largely to expanded import capacities, Herbert Lindow of the Commerce Department's Office of International Marketing reports. Foreign reserve levels have been substantially increased as a result of highly favorable world prices for the major export products of the six ANCOM countries—Venezuela, Peru, Colombia, Chile, Ecuador, and Bolivia.

U.S. suppliers are in an excellent position to meet the growing needs of the market but aggressive salesmanship will be required. Credit availabilities and terms will remain highly important factors in purchasing decisions.

Public sector investments will accelerate in 1974. Projects of interest to U.S. suppliers exist in such diversified fields as petroleum, petrochemicals, copper and coal mining, metalworking and highway construction. The agricultural areas are largely beset by problems which have resulted in output lagging behind rising consumption demand. Sales opportunities thus exist for U.S. suppliers of wheat, corn, soybeans, tobacco and vegetable oils.

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Real GDP seems to have improved in 1973 over the 3.8 percent increase registered in 1972. Incomplete data portend higher growth rates mainly because of large increases in petroleum prices and a significant increase in iron production.

U.S. exports to Venezuela increased nearly 10 percent in 1973 and should exceed this rate in 1974.

Development of the El Tablazo petrochemical complex and the Ciudad Guyana metallurgical complex will call for heavy imports of construction equipment and materials, handling equipment, metalworking equipment, and industrial instrumentation. The U.S. Department of Commerce Solo Exhibition, Instru/Metal, March 25-30 in Caracas, will key on the two latter product categories as Venezuelan imports of them are expected to double between 1972 and 1977. The necessity for Venezuela to diversify and compete with the other ANCOM countries will also spur the need for metalworking machinery and instrumentation in manufacture of paper and paper products, sugar, foods, and beverages and in electric utilities.

Other items in strong demand in 1974 include computer and peripheral equipment, hospital/medical equipment, and electric power generating machinery.

Peru. U.S. suppliers can expect favorable trade opportunities in a number of areas, including capital goods, agricultural products, raw materials and essential consumer goods. Overall, U.S. exports are expected to climb to at least $400 million in 1974, compared to an estimated total of $360 million during 1973.

New development projects being undertaken by the Peruvian Government and to a lesser extent by the private sector offer some of the best opportunities. Specific goods that have above average possibilities for sales in Peru include heavy construction equipment and supplies for oil exploration and mining development; aircraft, measuring, precision, and checking instruments; optical photographic equipment; medical and surgical instruments and apparatus.

ANCOM's chief imports from U.S.: industrial machinery, chemicals, motor vehicles and parts, wheat, electrical machinery and equipment, iron and steel.

Peru's overall economic growth is expected to be moderate in the coming months. A sharp drop in fishing operations mainly due to the unavailability of the anchovy in Peruvian waters, lagging agricultural output, and slow growth in services, government, mining and commerce are the main factors. Peru is expected to register a slight current account deficit in 1973 but this will be more than offset by substantial inflows of capital to the public sector and to direct investment inflows to the Cuajone Copper development project. International reserves are at good levels—equal to six months imports at the end of September 1973—and the balance of payments is expected to remain favorable in 1974.

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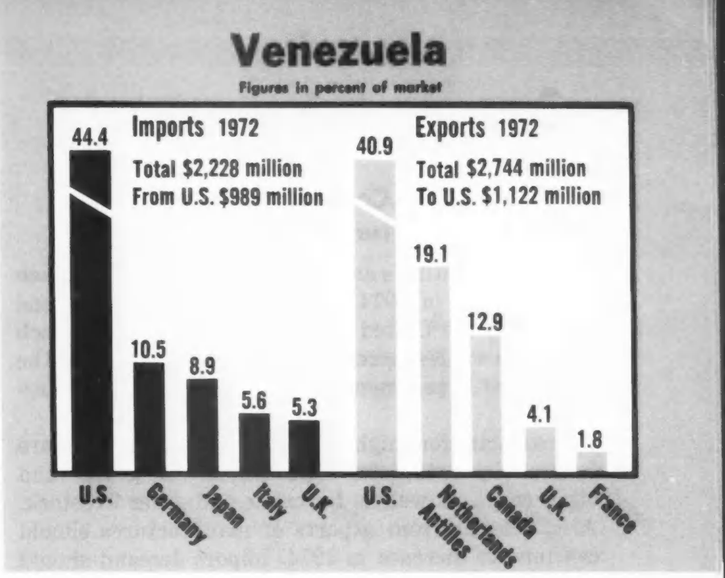

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U.S. agricultural products should continue to enjoy a good market in Colombia, contingent upon supply in the face of heavy world demand. A new hydroelectric project, the second phase of the Chivor Dam, and an on-going airport expansion project will spearhead demand for U.S. capital goods.

Chile. U.S. exports began to recover in October 1973 from their abnormally low levels of recent years. U.S. exports are now estimated at $215 million for 1973 and could rise substantially to $320 million in 1974 as business conditions gradually improve. Much will depend on the availability of foreign financing.

In this connection, progress toward the solution of Chile's outstanding debt problems is an important factor. The United States and Chile agreed in December on the payment by Chile of debts amounting to $124 million due between November 1971 and the end of 1972. Unpaid debts due in 1973 and debts payable in 1974 will be the subject of multilateral renegotiations between Chile and creditor countries in Paris in February. Chile has also indicated a willingness to discuss compensation for copper mining properties expropriated under the previous government.

Chilean government policies which will contribute to improving the business climate include the return of more than 100 firms, taken over by the previous Government, to their former owners. The government also is interested in attracting new foreign investors and in improving business relations with the United States. A further element in the improving climate affecting U.S.-Chilean commercial relations is the recent resurgence of U.S. commercial bank credit lines to Chile. In addition, the U.S. Commodity Credit Corporation extended to Chile two loans totaling $52 million to finance imports of U.S. wheat and corn in the latter part of 1973.

Assuming the availability of credit, U.S. suppliers are in an excellent position to provide many goods needed to rehabilitate the economy. Capital goods and parts of all kinds are needed. During the last several years the private sector decreased its investment outlays markedly. Thus, there is a pent up demand for machinery and equipment, as well as for parts. In view of continuing difficulties in increasing agricultural output, the United States probably will be looked to as an important source of foodstuffs.

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Real GDP rose annually at an average rate estimated at 9.9 percent in 1969-72 and higher rates are expected. Substantial growth in the urban construction industry should continue. Projects in electrification, petroleum refining, petrochemicals, fishing, highway construction, port development, and civil aircraft are to be undertaken in the coming months.

Bolivia. U.S. exports to Bolivia are estimated at around $45 million for 1973 and are expected to rise to around $60 million in 1974. Strong foreign demand and favorable prices for Bolivian exports such as tin, petroleum, cotton, sugar, and beef are contributing importantly to enlarging Bolivia's import capacity. Further, the government has signed loans for more than $90 million, which will be used to finance over the next three years highway construction, electrification, and expansion of existing oil refineries.

The Government is seeking to develop Eastern Bolivia through exploitation of iron ore deposits, construction of a natural gas pipeline from Western Brazil, roads, steel-forming mills, cement and fertilizer plants, expansion of cotton output and sugar refining, and meatpacking and cold storage facilities.

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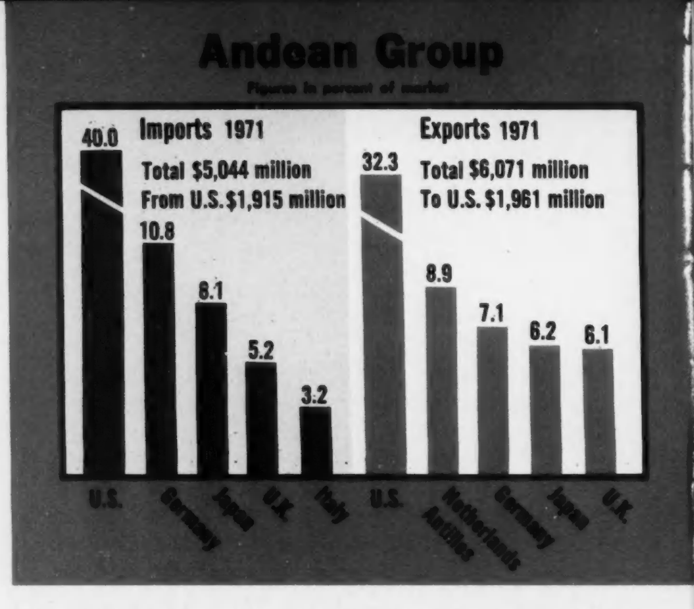

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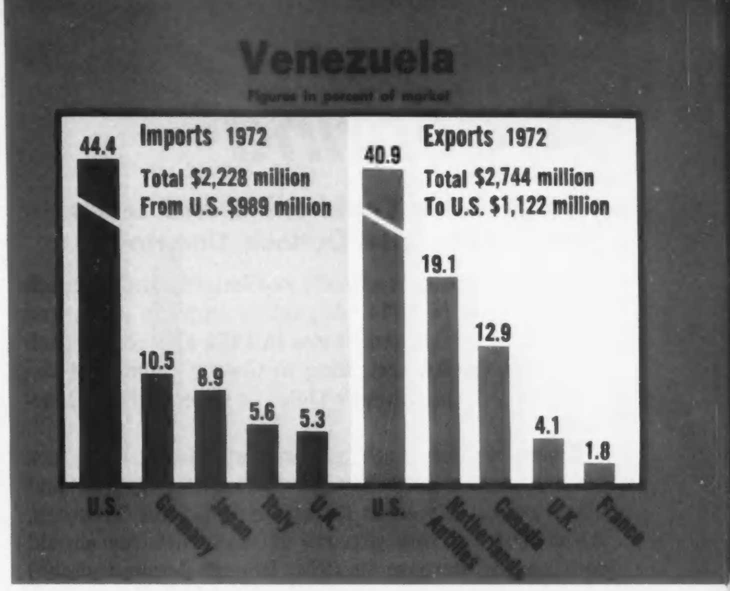

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Argentina

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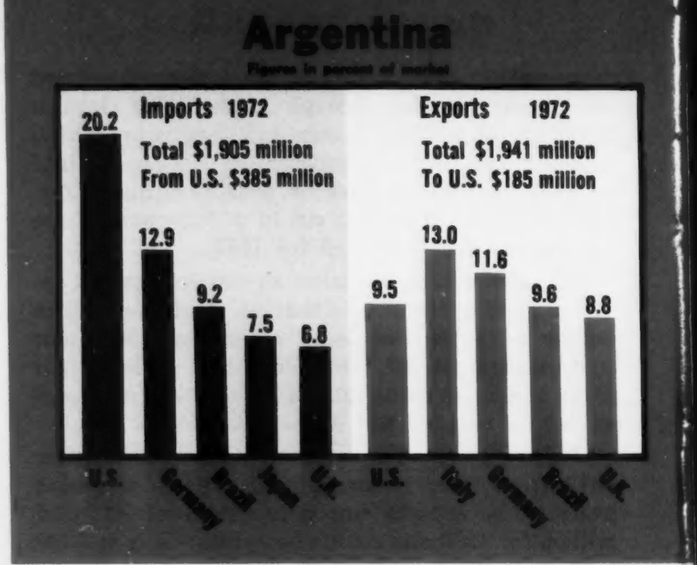

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Argentina's economic growth rate in gross domestic product (GDP) terms for 1973 is estimated at around 5 percent, above the 3.6 percent for 1972. If Governmental goals for 1974 are achieved, the economy should sustain an annual GDP growth rate of more than 5 percent for the year.

Political and economic uncertainties apparently still tend to inhibit private enterprise in Argentina. Private investment probably would be much more substantial if private enterprise were less extensively regulated and more profitable.

State dominates

Publicly-owned enterprise dominates a great and growing part of Argentina's economy. Development programs are expected to continue to emphasize expansion of publicly-administered operations, not only involving social services, transportation, electric power generation and distribution and other public utilities, but also banking, housing, and heavy industries such as fuel extraction, processing, and distribution plus production of steel and petrochemical products.

Imports from the United States in 1974 are expected to continue the 1973 trend and show significant increases in value over the previous year's level, and to account for at least a slightly higher portion of total Argentine annual imports than the 20 percent registered for 1972.

Price developments should not unduly restrict United States suppliers in exporting to Argentina. However, credit terms will need fine adjustment and customer servicing must be adequate if third country competition is to be bested. Although the United States has shipped wheat to Argentina in some past years, wheat exports to Argentina comparable to 1973 shipments are not anticipated. Increased movements to Argentina of industrial materials, intermediate products, and capital goods can compensate for the absence of grain exports.

Trade legislation passed by Argentina's new Congress late in 1973 codified protectionist policies such as were reflected in numerous previously existing laws, decrees, ministerial resolutions, and administrative rules and practices. The Congress also adopted an extension into 1977 of an existing ban on imports of luxuries and other "not indispensable" goods. The general trade policy legislation adopted apparently will not have a significant direct impact on foreign trade, but empowers the national executive to regulate trade almost as the executive may choose.

Most promising items

Imported goods for which sales potential is most promising include items for improving education, health and environmental services, and for increasing Argentina's output of petroleum, natural gas, coal, electric power, and steel. Anticipated import demands include food processing and leather making equipment, advanced business machines, data processing equipment, a variety of instruments, and equipment for the petrochemical, fishing, and fish processing industries.

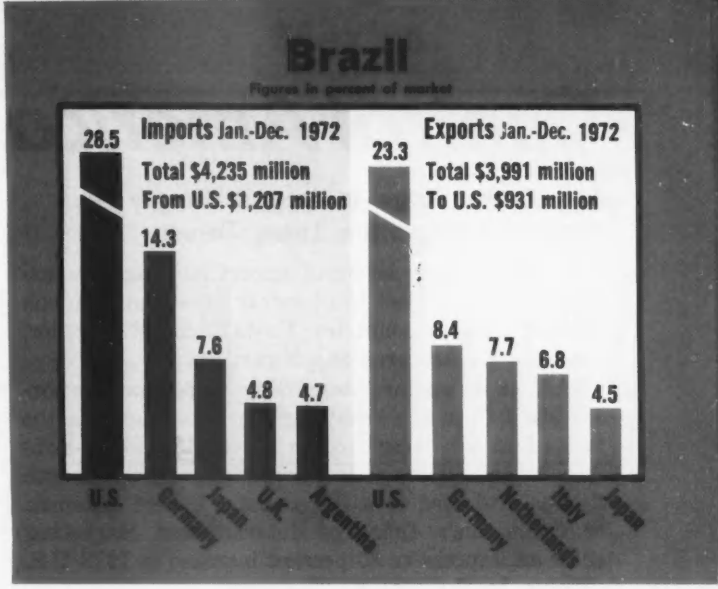
Argentina's balance of payments and foreign exchange reserve position were good as 1973 ended.

In 1974, the United States Trade Center in Buenos Aires will promote imports of U.S. equipment for offices, education, health care, communications, automotive maintenance, materials handling, and plant maintenance and security, plus machinery for manufacturing chemicals and leather and plastic goods.

ARGENTINA's chief imports from U.S.: chemicals, industrial machinery, iron and steel, electrical machinery and equipment, iron and steel scrap.

Brazil

Rapid Growth And Exchange Reserves Provide Chance To Expand U.S. Sales



Brazil's pattern of very rapid economic growth continued throughout 1973, the sixth consecutive year of growth rates in the 10 percent range, according to Larry Garges of Commerce's Office of International Marketing.

With real growth estimated at 11-12 percent, Brazil's GNP climbed to about $56 billion in 1973. Exports and imports in 1973 each rose for the fourth straight year; recent official estimates place the import rise at 30 percent and the export rise at 50 percent in 1973. Further significant rises in imports and exports are expected in 1974.

Political stability and highly capable economic management, generating a wide availability of foreign commercial credit and long-term capital, have marked this era of rapid economic growth in Brazil. These positive factors are expected to continue, and a smooth transition to a new government next spring is expected.

Maintain priorities

In September, President Emilio Garrastazu Medici announced the selection of retired General Ernesto Geisel, former president of the state-owned petroleum monopoly Petrobras, as the presidential candidate for the official government party, ARENA. In accepting the nomination, General Geisel emphasized his intention to maintain economic development as the government's priority objective, thereby continuing the basic economic policy established by his immediate predecessors, including a positive attitude toward private enterprise and foreign investment.

The confidence in political and economic stability which the government is fostering is extremely important because the economy, after six years of accelerated expansion, is understandably pressing against some capacity limits. Key transport systems and numerous factories are working at or near capacity. Domestic steel production, though increasing rapidly, has not kept pace with overall growth. Shortages have also occurred in paper, copper, leather, resin, wood, cotton, aluminum and chemicals. Finally, skilled labor is in short supply. Although these various constraints hamper production, they should not bind sufficiently to prevent continuation of a relatively high growth rate.

Brazil is heavily dependent on foreign sources, principally the Mideast countries, for its petroleum. Imports of petroleum and petroleum derivatives in 1973 may have reached $700 to $800 million, compared with $570 million in 1972. Should repercussions from the current squeeze on petroleum exports by Mideast countries adversely affect Brazil's rapidly growing imports of petroleum in 1974, Brazil's rapid rate of economic growth could be dampened. But unless a very severe shortage in petroleum imports is encountered, continued rapid economic growth is expected in 1974.

The United States is by far Brazil's largest supplier, but the U.S. share of the market has declined from 33 percent in 1968 to 28.5 percent in 1972. The recent international currency realignments have improved the competitiveness of U.S. prices, providing an excellent opportunity to increase the U.S. share of the Brazilian market. With Brazil's foreign reserves at record levels (reportedly $6.4 billion in August compared with $1.7 billion at year-end 1971), U.S. suppliers have a unique chance to expand sales in this large market.

BRAZIL's chief imports from U.S.: industrial machinery, chemicals, electrical machinery and equipment, wheat, aircraft and parts, iron and steel.

Many specific export opportunities are available. Brazil's plans to expand and modernize its railroads, ports, chemical plants, sugar refineries, steel mills, airports, agro-industry, power plants, tourist facilities, mining operations and telecommunications systems will, according to present schedules, exceed both the capacity and technology of the Brazilian capital goods industry.

The U.S. Department of Commerce will assist U.S. businessmen to increase exports to Brazil in coming months through a varied program of exhibitions, trade missions, seminars, and catalog shows featuring computing equipment, textile machinery, printing equipment, packaging machinery, instruments, agricultural processing equipment and machinery and equipment for the chemical and petrochemical industries.

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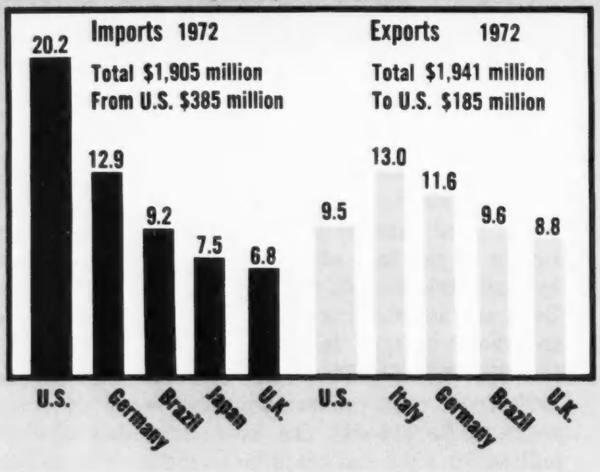
Figures in percent of market



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Publicly-owned enterprise dominates a great and growing part of Argentina's economy. Development programs are expected to continue to emphasize expansion of publicly-administered operations, not only involving social services, transportation, electric power generation and distribution and other public utilities, but also banking, housing, and heavy industries such as fuel extraction, processing, and distribution plus production of steel and petrochemical products.

Imports from the United States in 1974 are expected to continue the 1973 trend and show significant increases in value over the previous year's level, and to account for at least a slightly higher portion of total Argentine annual imports than the 20 percent registered for 1972.

Price developments should not unduly restrict United States suppliers in exporting to Argentina. However, credit terms will need fine adjustment and customer servicing must be adequate if third country competition is to be bested. Although the United States has shipped wheat to Argentina in some past years, wheat exports to Argentina comparable to 1973 shipments are not anticipated. Increased movements to Argentina of industrial materials, intermediate products, and capital goods can compensate for the absence of grain exports.

Trade legislation passed by Argentina's new Congress late in 1973 codified protectionist policies such as were reflected in numerous previously existing laws, decrees, ministerial resolutions, and administrative rules and practices. The Congress also adopted an extension into 1977 of an existing ban on imports of luxuries and other "not indispensable" goods. The general trade policy legislation adopted apparently will not have a significant direct impact on foreign trade, but empowers the national executive to regulate trade almost as the executive may choose.

ARGENTINA's chief imports from U.S.: chemicals, industrial machinery, iron and steel, electrical machinery and equipment, iron and steel scrap.

Most promising items

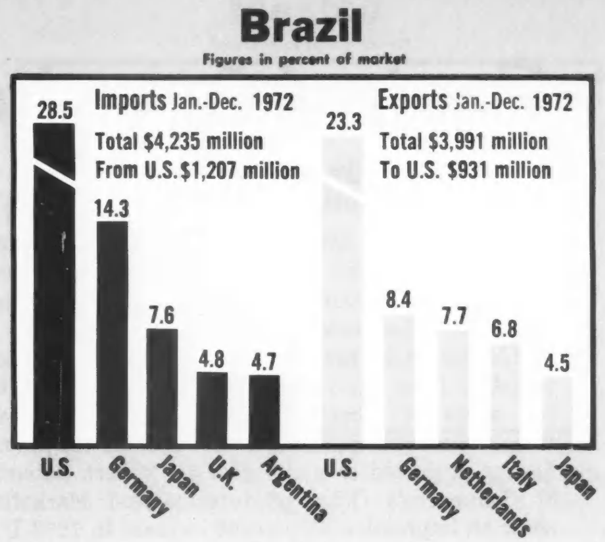
Imported goods for which sales potential is most promising include items for improving education, health and environmental services, and for increasing Argentina's output of petroleum, natural gas, coal, electric power, and steel. Anticipated import demands include food processing and leather making equipment, advanced business machines, data processing equipment, a variety of instruments, and equipment for the petrochemical, fishing, and fish processing industries.

Argentina's balance of payments and foreign exchange reserve position were good as 1973 ended.

In 1974, the United States Trade Center in Buenos Aires will promote imports of U.S. equipment for offices, education, health care, communications, automotive maintenance, materials handling, and plant maintenance and security, plus machinery for manufacturing chemicals and leather and plastic goods.

Brazil

Rapid Growth And Exchange Reserves Provide Chance To Expand U.S. Sales



Brazil's pattern of very rapid economic growth continued throughout 1973, the sixth consecutive year of growth rates in the 10 percent range, according to Larry Garges of Commerce's Office of International Marketing.

With real growth estimated at 11-12 percent, Brazil's GNP climbed to about $56 billion in 1973. Exports and imports in 1973 each rose for the fourth straight year; recent official estimates place the import rise at 30 percent and the export rise at 50 percent in 1973. Further significant rises in imports and exports are expected in 1974.

Political stability and highly capable economic management, generating a wide availability of foreign commercial credit and long-term capital, have marked this era of rapid economic growth in Brazil. These positive factors are expected to continue, and a smooth transition to a new government next spring is expected.

Maintain priorities

In September, President Emilio Garrastazu Medici announced the selection of retired General Ernesto Geisel, former president of the state-owned petroleum monopoly Petrobras, as the presidential candidate for the official government party, ARENA. In accepting the nomination, General Geisel emphasized his intention to maintain economic development as the government's priority objective, thereby continuing the basic economic policy established by his immediate predecessors, including a positive attitude toward private enterprise and foreign investment.

The confidence in political and economic stability which the government is fostering is extremely important because the economy, after six years of accelerated expansion, is understandably pressing against some capacity limits. Key transport systems and numerous factories are working at or near capacity. Domestic steel production, though increasing rapidly, has not kept pace with overall growth. Shortages have also occurred in paper, copper, leather, resin, wood, cotton, aluminum and chemicals. Finally, skilled labor is in short supply. Although these various constraints hamper production, they should not bind sufficiently to prevent continuation of a relatively high growth rate.

Brazil is heavily dependent on foreign sources, principally the Mideast countries, for its petroleum. Imports of petroleum and petroleum derivatives in 1973 may have reached $700 to $800 million, compared with $570 million in 1972. Should repercussions from the current squeeze on petroleum exports by Mideast countries adversely affect Brazil's rapidly growing imports of petroleum in 1974, Brazil's rapid rate of economic growth could be dampened. But unless a very severe shortage in petroleum imports is encountered, continued rapid economic growth is expected in 1974.

The United States is by far Brazil's largest supplier, but the U.S. share of the market has declined from 33 percent in 1968 to 28.5 percent in 1972. The recent international currency realignments have improved the competitiveness of U.S. prices, providing an excellent opportunity to increase the U.S. share of the Brazilian market. With Brazil's foreign reserves at record levels (reportedly $6.4 billion in August compared with $1.7 billion at year-end 1971), U.S. suppliers have a unique chance to expand sales in this large market.

BRAZIL's chief imports from U.S.: industrial machinery, chemicals, electrical machinery and equipment, wheat, aircraft and parts, iron and steel.

Many specific export opportunities are available. Brazil's plans to expand and modernize its railroads, ports, chemical plants, sugar refineries, steel mills, airports, agro-industry, power plants, tourist facilities, mining operations and telecommunications systems will, according to present schedules, exceed both the capacity and technology of the Brazilian capital goods industry.

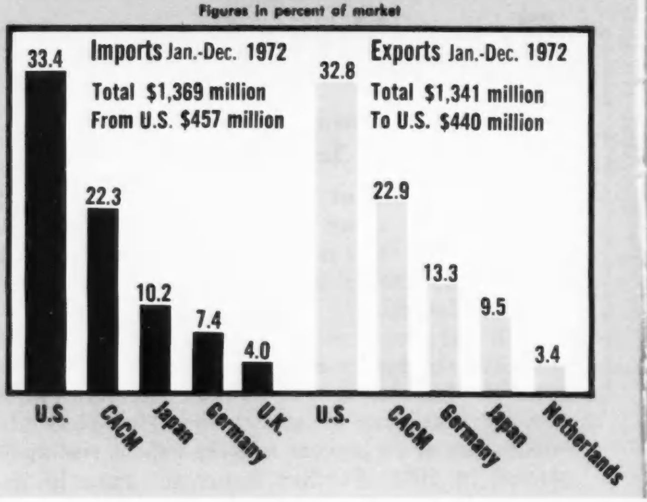
The U.S. Department of Commerce will assist U.S. businessmen to increase exports to Brazil in coming months through a varied program of exhibitions, trade missions, seminars, and catalog shows featuring computing equipment, textile machinery, printing equipment, packaging machinery, instruments, agricultural processing equipment and machinery and equipment for the chemical and petrochemical industries.

Central America

U.S. Sales Surge In Import-Hungry Market; Integration Loses Thrust

CACM

Figures in percent of market



Sustained high levels of export earnings are expected in 1974 in all five Central American Common Market member countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

U.S. exporters are benefitting more than proportionately from the resulting import demand as the full effect of recent dollar devaluations vis-a-vis major competitors takes hold. In fact, ten month figures projected to a full year by Robert Bateman of Commerce's Office of International Marketing show an impressive 35 percent increase in 1973 U.S. exports to the CACM. These exports are expected to grow at least another 10 percent in 1974 to a total value of about $655 million. A part of the value increase is, of course, attributable to price inflation.

While inflation is imported by Central America in this fashion, some appears to be generated locally. This is a new phenomenon for the region and the only potentially troublesome sign on the horizon. Unofficial estimates put the average rate of increase in the cost of living over the past year at between 10 and 15 percent. It is thought to have exceeded 20 percent in post-earthquake Nicaragua, however. This general upward pressure on prices is being aggravated by the higher prices now being paid for imported crude petroleum.

Although opposed by some local chambers of commerce and others as contributing to inflation, the CACM member countries (except Honduras) have extended for five years the Protocol of San Jose, which applies a surtax of 30 percent on the importation of merchandise from outside the CACM. The surtax, originally a temporary emergency measure, provides revenues that these countries are reluctant forego now.

No real progress has been made to date in strengthening the CACM as an institution. The attention of member countries may have been distracted by external markets that are paying record prices for basic commodities. The desire for better access to the local market for a broader range of regional products, manufactured as well as agricultural, seems to have assumed secondary importance. But the current prosperity has in turn stimulated demand throughout the region. Intraregional trade reached a record level in the first quarter of 1973 despite existing constraints.

The continuing break in commercial relations between Honduras and El Salvador is perhaps the chief obstacle to more rapid growth in intra-CACM trade. "Peace talks" between these two countries finally began in September, and agreement was hoped for by this month. The key point in any such agreement will be delineation of their common border. Once this is settled, conditions will favor a broader move to restructure the CACM to accommodate better the economic needs of all five member countries.

While inadequate market share data exists for the period since the last dollar devaluation, the consensus among U.S. commercial attaches in Central America is that U.S. suppliers are not making the most of the decidedly more favorable competitive situation there for U.S. products. The U.S. market share only held its own in 1972. Significant improvement is likely in 1973, but even more success could be achieved with active cultivation of the market.

CENTRAL AMERICA's chief imports from U.S.: industrial machinery, chemicals, motor vehicles and parts, electrical machinery and equipment, wheat, kraft paper. (NOTE: Panama imports not included.)

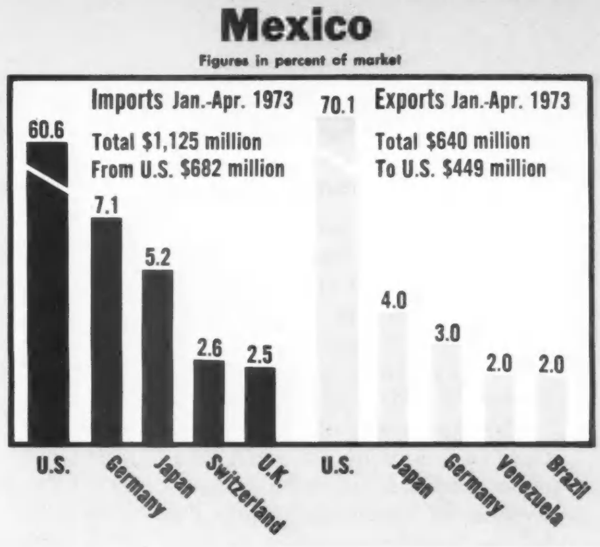
Panama's new links

Although within the region geographically, Panama is not a member of the CACM. But it is interesting to note that Panama now has bilateral agreements providing for trade of specific products on preferential terms with Costa Rica, Nicaragua, El Salvador and Honduras. Negotiations are now in progress on a similar agreement with Guatemala. The new agreements provide for negotiated changes in the list of products covered, and are likely to result in expanded trade.

Panama's boom in construction and other service industries is likely to continue through 1974 although it may not grow at as rapid a rate. U.S. exports to Panama increased about 25 percent in value in 1973. Again, some of this growth is due to inflation. U.S. exports to Panama in 1974 could reach as high as $330 million.

Mexico

Foreign Trade Hits Record Levels, U.S. Share Of Import Market Rises



All indications are that Mexico's foreign trade registered record levels in 1973, thus maintaining its position as the major market for U.S. products in Latin America. Paul Flores of Commerce's Office of International Marketing reports that the outlook for 1974 is for a continued rise in Mexico's trade levels, as that country's economic expansion continues unabated.

Mexico is heavily dependent on massive imports of capital goods and raw materials to sustain and expand the country's industrial plant. Government development projects also require substantial inputs of imported capital goods. However, rising income from exports and tourism, supported by the liberal availability of international credits, enables Mexico to finance its steadily increasing import bill.

High GDP gains

Preliminary indicators point to a gross domestic product growth of about 7 percent in real terms in 1973 and an expected growth of 6.5 percent in 1974, due to Government monetary and credit restraints to combat inflationary pressures. Mexico's GDP in current prices totaled $42.1 billion in 1972.

Relations between the Government and private business, which have been cool for several months, appeared to improve somewhat in the latter part of 1973, with spokesmen for both sectors calling for greater economic solidarity in the national interest. Private investment is expected to increase in 1974; the rate will depend largely on the degree of conciliation achieved between the two sectors.

As for the Government, it has announced that the 1974 calendar-year budget will call for "programmed austerity." Priority will go to investments aimed at near-term increases in farm and industrial production. The steel, fertilizer and petrochemical industries and the transport and energy sectors will receive priority financing.

Foreign investors were awaiting publication of the regulations to the new Foreign Investment Law at the end of 1973. The degree of flexibility with which the provisions of the Law are interpreted will be of major importance to foreign firms contemplating investment.

Soaring U.S. exports to Mexico throughout the year point at an increase in the U.S. market share in 1973 over the 60.5 percent registered in 1972. It is not expected that any other country had a market share exceeding 10 percent.

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MEXICO's chief imports from U.S.: industrial machinery, electrical machinery and equipment, motor vehicles and parts, chemicals, corn, wheat.

Follow market closely

The second largest market for U.S. goods consists of chemicals and raw and intermediate materials for industry, of types not produced in Mexico. However, U.S. exporters shipping these types of goods to Mexico must follow market developments closely, since the initiation of domestic production of any given item usually results in the cut-off of imports of competing items.

The U.S. Trade Center in Mexico City begins its third year of operation in February, with three major exhibitions scheduled in the first six months of 1974. They are chemical and petrochemical processing equipment, March 25-29; food processing equipment, May 13-17; and telecommunications equipment, June 24-28. In addition, the Center will mount smaller, locally-organized exhibitions on meat, fish and poultry processing in January; textile equipment in March; and industrial security equipment in May.

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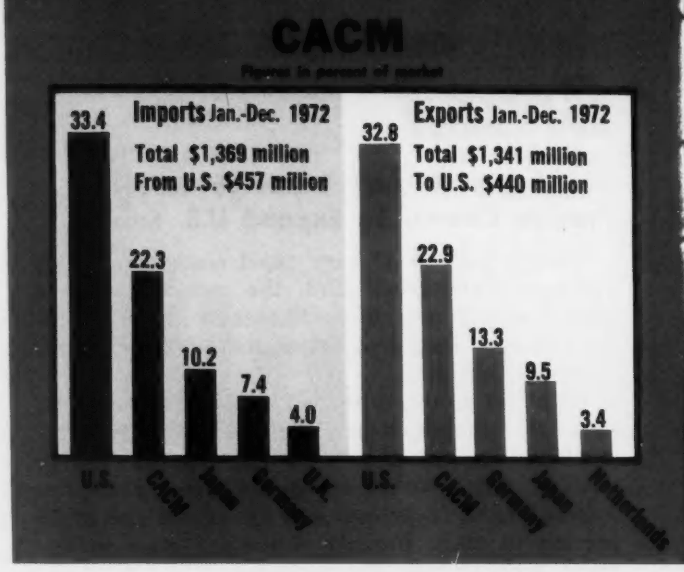

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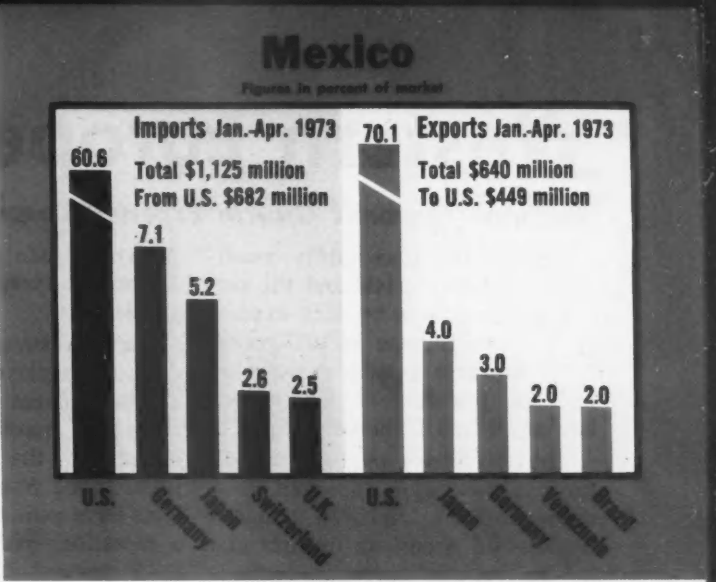

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Western Europe In Modest Rise

Moderate Economic Growth Expected Despite Energy Crisis, Other Uncertainties

Despite the uncertainty generated by the oil crisis and the record level achieved by U.S. exports to Western Europe in 1973, some further export growth is expected in 1974, probably an increase of between 5 and 10 percent.

The confluence of boom conditions in the major European economies and the improved competitiveness of American exports due to the various currency realignments spurred the increase of more than 30 percent in U.S. exports to Western Europe in 1973. In the third quarter European industry began to experience shortages of manpower and materials, according to J. Robert Wilson of Commerce's Office of International Marketing. Many manufacturers were utilizing their full capacity. Price inflation, both of producer and consumer goods, became rampant as the year progressed.

In September the Commission of European Communities predicted that the combined GNP of the nine members would increase by 4.5 percent in 1974, compared with 6 percent in 1973. Economic activity was expected to accelerate in Italy, continue at a high rate in France, and slacken in Germany and the United Kingdom.

Oil muddies picture

Pre-October forecasts have been rendered questionable, if not obsolete, as a result of the oil crisis. Although only the Netherlands and Portugal are subject to an embargo of Arab oil deliveries, Belgium, Germany and the Scandinavian countries rely heavily on supplies from Rotterdam. The interdependence of the economies of Western Europe, especially their large trade with one another, means that none is immune from the economic ills of another. Moreover, all of Europe is affected by the general cutbacks in Arab crude oil production and by rapidly rising world petroleum prices.

Just how severely European production, employment and the payments balances will be affected is uncertain, particularly since the duration of the oil shortage is unpredictable. Some European analysts have gone so far as to predict a recession, with a reduction of 2 to 3 percent in the Community GNP. On the other hand, successful governmental policies designed to direct available supplies to industry should mitigate the situation.

U.S. outlook hazy

The uncertainty is compounded when one attempts to forecast prospects for U.S. exports. Although there will be some carryover from the buoyant sales of 1973, especially for capital goods, diminished aggregate European demand will have a depressive effect. While American goods are expected to retain their enhanced competitiveness, it may be increasingly difficult to find buyers. Nevertheless, several offsetting factors, such as the differential rates of inflation which favor American products and the fact that the United States is less affected by the oil crisis, point to a continued, if moderate, growth in U.S. exports to Western Europe.

American exporters of industrial goods, however, will face increasing competition due to European economic integration. On Jan. 1 internal tariffs were, in general, reduced another 20 percent by 16 countries. The three new members of the EEC—the United Kingdom, Ireland, and Denmark—and the seven EFTA countries—Sweden, Norway, Finland, Switzerland, Austria, Portugal and Iceland—will face a common external tariff of the original Six that is 40 percent lower, while the tariffs of these 10 countries will also be 40 percent lower on imports from the Six. In addition, the three new EEC members will align their external tariffs with the EEC's common external tariff by 40 percent of the difference. In most cases this will mean a modest reduction in the British tariff.

Most European governments continue to give priority to the fight against inflation. Monetary policies have been tightened and interest rates have risen to unprecedented levels. A great variety of fiscal measures, including sharp curbs on government spending, have been introduced in order to dampen demand.

With record high prices of commodities traded internationally, the anti-inflation policies of countries heavily dependent on imports have failed to do the job. European policymakers are increasingly cognizant of the need to coordinate their anti-inflationary policies.

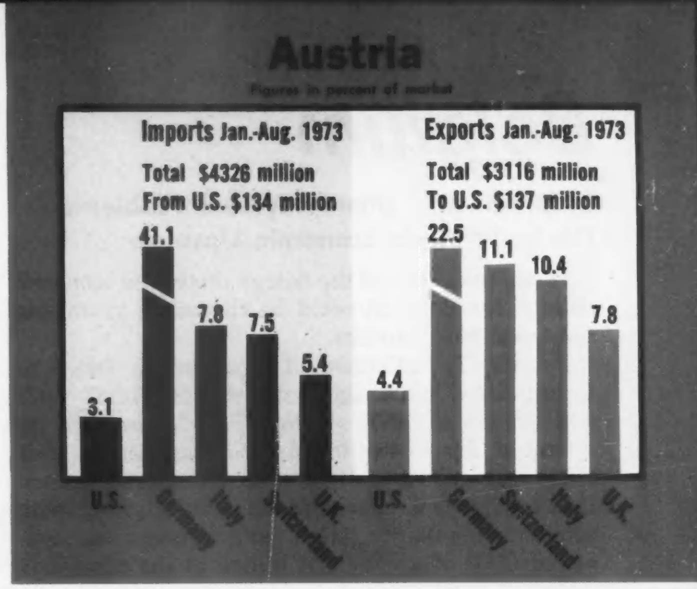
Prices vault upward

The spectacular rise in commodity prices last year is perhaps most accurately measured by the recently revised index of *The Economist.* The dollar version of this trade-weighted index, which includes food and industrial raw materials, but not oil, soared 53 percent from January to the end of December.

The industrial countries of Western Europe entered 1974 with substantial foreign exchange reserves. In the course of the year (through October) their total international reserves increased 12 percent, with the German share rising from 35 to 41 percent. Although these reserves do not necessarily guarantee exchange rate stability, they should enable most countries to avoid resorting to import restrictions.

Austria

1973 Economic Performance Impressive, But Slowdown Seems Likely in 1974



Through the first nine months of 1973, Austrian trade activity showed record gains, both in terms of growth rate and volume. Imports were up 20 percent over comparable 1972 levels and exports 16 percent. However, Michael G. Hanpeter of Commerce's Office of International Marketing reports that the Austrian economy began to slow down late in 1973. Therefore, overall Austrian trade activity is not likely to expand as briskly in 1974 as it did in 1973.

High domestic demand and the eased access of the Common Market Nine to the Austrian market have been the most important stimulants to import growth. Austrian businessmen have taken full advantage of the worldwide export boom to increase their sales abroad, despite two revaluations of the schilling this year (7.05 percent) which have made Austrian goods more expensive in many markets. In Austria's most important market, West Germany, Austrian goods have become cheaper, since the Mark was revalued even more than the schilling.

Less vulnerable

The real economic growth rate of 6 percent in 1973 (6.4 percent in 1972) brought the GNP to $26 billion. Real growth projections for 1974 are in the 4.5 percent range, but are somewhat tentative due to uncertainties in the energy field. With sizable oil resources and abundant water power, Austria is less vulnerable to production cutbacks in the Middle East than other European countries. Nevertheless, the massive increases in the price of Middle East crude and the various measures for fuel conservation already introduced by Austria's neighbors are bound to strike at her second major foreign exchange earner—the tourist industry. It will also strike at the foundation of the Austrian Government's endeavors to hold inflationary price increases in check.

On the plus side, the inflation rate, spurred by high demand, price increases and large wage boosts, has dropped to a respectable 5 percent in recent months from 8 percent earlier in 1973.

Potential for U.S.

The dollar value of U.S. exports to Austria rose by an impressive 30 percent through the first nine months of 1973 to reach $165 million. The U.S. market share nevertheless remained at the low 3.2 percent level—the increase in dollar value having been negated by the overall increase in Austrian imports and the two revaluations.

In 1973, 42 percent of Austria's imports came from West Germany.

In 1974 the United States could well increase its share in the Austrian market, since American goods have become more price competitive. Demand for machinery and high-technology items will remain high as Austria's most important industries continue to modernize and expand. The nationalized industries alone (which include most heavy industry) are expected to spend almost $2 billion in the next four years on such improvements.

As a result of Austria's industrial trade agreement with the Common Market in 1972, tariffs on most industrial products traded with members were reduced by 30 percent, with an additional 10 percent cut scheduled for this month. This agreement would have placed the United States at a distinct disadvantage except that the revaluations have more than matched the reduced tariffs.

AUSTRIA's chief imports from U.S.: machinery, aircraft, business machines, feeds, chemicals, EDP equipment.

The product categories which offer the best prospects for U.S. exporters include EDP equipment, advanced metalworking and finishing equipment, anti-pollution equipment business machines and health care items.

Trade Center events

The Commerce Department's East-West Trade Center in Vienna officially opened last June 13. Events scheduled for 1974 include trade missions for advanced business equipment and biomedical equipment. Further, the Department is considering participation in "Projekt 2000," an anti-pollution equipment trade fair to be held at Graz in October.

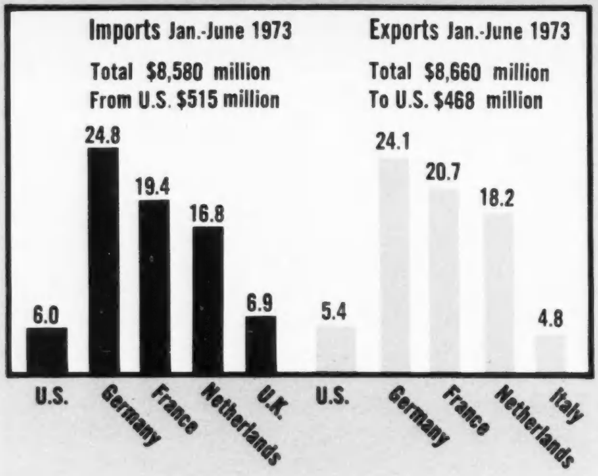
Austria welcomes foreign investment, particularly that which creates new employment or brings new technology to Austria. The principal attractions to investors are internal stability, the legendary tranquil relationship between business and labor, and Austria's proximity to Eastern Europe.

Belgium

Inflation And Unemployment Problems Likely To Curb Economic Upsurge

Belgium-Luxembourg

Figures in percent of market



If one could ignore the energy crisis, the economic outlook for Belgium could be classed as promising for American exporters.

Patrick T. O'Connor of Commerce's Office of International Marketing estimates Belgium's 1973 real growth in GNP at from 6 to 6.5 percent (to a total of about $45.4 billion in current terms). For 1974 real growth estimates are clustered around the 5.5 percent mark which would yield, with prospective inflation taken into account, an estimated GNP of around $51 billion at the prevailing exchange rates.

Belgium's economic upsurge in 1973 was attributable in part to a strong upswing in foreign trade. Exports jumped by about 20 percent while imports moved up by about the same percentage. Trade with the United States has risen even faster with exports up by around 30 percent and imports by about 26 percent.

Most observers feel that these heady figures cannot be matched in 1974; rather, the new year will likely see a moderate rise in imports of less than 10 percent. U.S. exports to Belgium, estimated at $1.4 billion for 1973, may rise to about $1.5 billion in 1974.

Domestic problems

Internally, Belgium is grappling with the twin problems common to many modern economies: inflation and rising unemployment. The latter, which appears to be a structural problem affecting new entrants to the labor market for the most part, recently climbed to 3.5 percent, a level which is rather high by Belgian norms.

Similarly, the Belgian inflation rate at 7 percent is among the lowest in Europe, yet quite high for a country which has experienced two decades of remarkably stable price levels.

The Government has taken a number of steps to check inflation. However, increases already in the wholesale pipeline almost assure a further rise in consumer prices in early 1974. In addition, deficit spending by the Government and an anticipated annual wage increase of about 15 percent will increase inflationary pressures.

Energy questions

Looming over the entire economic picture is the world energy crisis. Although Belgium is not on the Arab boycott list, it is dependent on the pipeline from Rotterdam for 60 percent of its crude oil imports — a source which has been affected by the Arab boycott. The very recent decision by the OPEC countries to add Belgium to the list of "friendly" countries was welcomed, but just what this portends is not entirely clear at the moment. Some feel that the damage already done to the economy may be sufficient to check any appreciable growth in the first half of 1974. More important, perhaps is that no hard assessments have yet been made of the impact of increased oil prices on the Belgian economy. Austerity measures already in force may have to be widened in the new year to cope with the crisis.

BELGIUM's chief imports from U.S.: machinery, chemicals, minerals, aircraft, metals, cereals, tobacco.

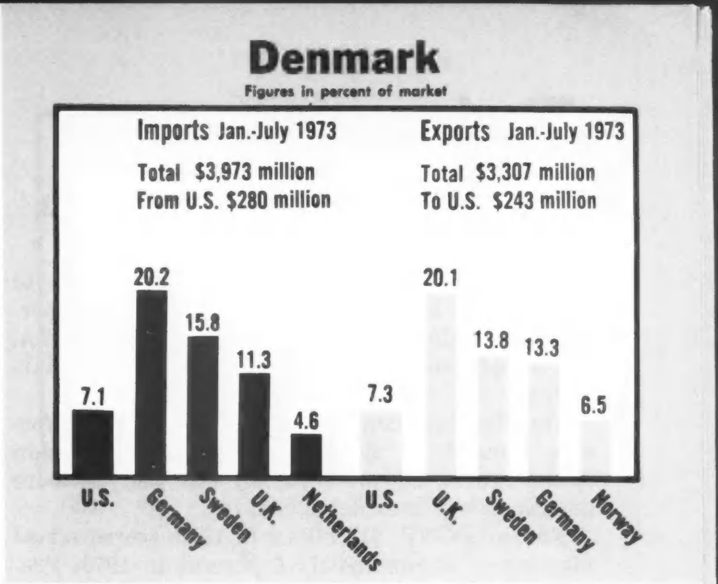
In the face of these uncertainties, the outlook for U.S. exports to Belgium in 1974 is somewhat clouded. The devaluation of the U.S. dollar has had a salutary effect on trade with Belgium. Certain items, such as computer software programs involving performance prediction, outflow techniques, and industry/market oriented packages appear particularly promising. Available data also indicate a rising market for some printing and graphic arts equipment, men's and boys' outergarments, some organic pharmaceuticals, business machines, and certain hand tools. Conservatively, a 6-8 percent increase in U.S. exports is likely, subject to how the problems outlined above are resolved.

The U.S. share of the Belgian import market for the first six months of 1973 was 5.4 percent (as compared to 5.2 percent for the same period in 1972).

The following U.S. Government sponsored trade promotion events are tentatively planned for Belgium in 1974-'75: a limited exhibition (18 exhibitors) at the Mechanographie business machines show in Brussels (September), and three trade missions featuring computer software (June 1974), vehicular traffic control equipment (January 1975) and environmental pollution control instrumentation and equipment (April 1975).

Denmark

Last Year's Phenomenal Rise In U.S. Sales Not Likely To Be Repeated



Last year's phenomenal increase in U.S. sales to Denmark is not likely to be repeated this year. However, Denmark will continue to be a significant market for technologically-advanced machinery needed to strengthen its industrial base, in the view of Harold A. McNitt of Commerce's Office of International Marketing.

During 1973, the Danish economy functioned at near-capacity. The rapidly developing boom, sparked by Denmark's decision to join the European Economic Community, brought serious inflation and balance of payments problems in its wake. In addition, the current energy crisis threatens to reduce the growth rate of Danish output.

Denmark's gross national product, $24 billion in 1972, registered a real growth of 5-6 percent in 1973. Continued strong growth — limited only by availability of production resources — was expected before the energy crisis began. The extent to which the crisis will reduce Danish output this year is not yet calculable, and depends on the extent and duration of the fuel shortage.

Denmark depends on imported petroleum and refinery products for a very high percentage of its fuel needs. The Government in November adopted stringent measures to conserve fuel, including mandatory cuts of 20 percent in oil deliveries for transportation and 25 percent in oil for industry. In addition to production cutbacks resulting from these measures, Denmark's economy will suffer from reduced demand for its exports in such key Danish markets as the United Kingdom.

Enlarged opportunities

The rapid rise of Danish economic activity in 1973 was caused in large measure by Denmark's membership in the expanded European Economic Community, effective Jan. 1, 1973. The decision to join sparked large-scale business investments to build an industrial establishment able to take advantage of opportunities generated by the enlarged market. Membership also opened Germany and other Continental EEC members to Danish farm exports which hitherto had enjoyed only restricted access. These factors will continue to exert a positive effect on the economy this year.

Inflation gains

Rapid economic growth at home plus rising import prices contributed to high inflation rates last year. Consumer prices during the first half of 1973 were running 8 percent above the previous year, while wholesale prices jumped 12 percent. Increased fuel prices are bound to further the inflation.

American exports to Denmark soared last year. During January-July, U.S. sales reached $280 million, 37 percent higher than the corresponding 1972 period. U.S. electrical machinery, transport equipment, and grains scored the largest gains.

Denmark's exports to the United States also boomed, reaching $243 million during the first seven months, an increase of 25 percent. Danish processed ham and machinery paced the advance.

DENMARK's chief imports from U.S.: non-electric machinery, aircraft, soybeans, grains and feedstuffs, electrical machinery, tobacco, wood products.

To take advantage of Denmark's membership in the EEC, industrialists are modernizing their plant and equipment. All major branches of industry are in the market for advanced labor-saving equipment. These include manufacturing of machinery, electronics, petrochemicals and plastics. The outlook is also bright for U.S. wood products needed for Denmark's construction boom. Chemicals, grains, foodstuffs and soybeans are also in demand.

Danish prosperity in 1973 brought a tremendous increase of imports, especially of investment goods. Since exports failed to increase at an equivalent rate, Denmark's balance-of-trade deteriorated seriously. A current accounts deficit of $500-600 million was predicted for 1973, an estimate which may have been rendered too low by the energy crisis with its increased fuel costs.

Denmark held a national election on Dec. 4. Poul Hartling, head of the Moderate Liberal Party, was named to form a minority government on Dec. 17.

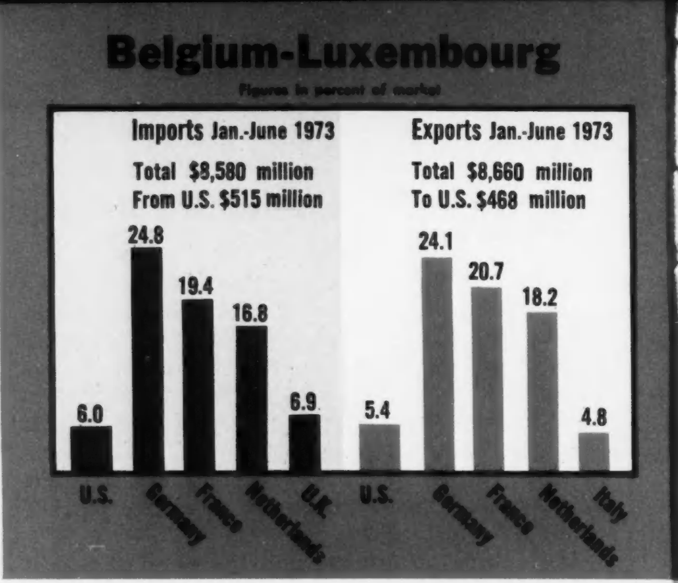
Denmark's per capita GNP ranked fourth highest in Europe and sixth highest in the world in 1971, and this high relative level of prosperity continues.

Belgium

Inflation And Unemployment Problems Likely To Curb Economic Upsurge

If one could ignore the energy crisis, the economic outlook for Belgium could be classed as promising for American exporters.

Patrick T. O'Connor of Commerce's Office of International Marketing estimates Belgium's 1973 real growth in GNP at from 6 to 6.5 percent (to a total of about $45.4 billion in current terms). For 1974 real growth estimates are clustered around the 5.5 percent mark which would yield, with prospective inflation taken into account, an estimated GNP of around $51 billion at the prevailing exchange rates.



Belgium's economic upsurge in 1973 was attributable in part to a strong upswing in foreign trade. Exports jumped by about 20 percent while imports moved up by about the same percentage. Trade with the United States has risen even faster with exports up by around 30 percent and imports by about 26 percent.

Most observers feel that these heady figures cannot be matched in 1974; rather, the new year will likely see a moderate rise in imports of less than 10 percent. U.S. exports to Belgium, estimated at $1.4 billion for 1973, may rise to about $1.5 billion in 1974.

Domestic problems

Internally, Belgium is grappling with the twin problems common to many modern economies: inflation and rising unemployment. The latter, which appears to be a structural problem affecting new entrants to the labor market for the most part, recently climbed to 3.5 percent, a level which is rather high by Belgian norms.

Similarly, the Belgian inflation rate at 7 percent is among the lowest in Europe, yet quite high for a country which has experienced two decades of remarkably stable price levels.

The Government has taken a number of steps to check inflation. However, increases already in the wholesale pipeline almost assure a further rise in consumer prices in early 1974. In addition, deficit spending by the Government and an anticipated annual wage increase of about 15 percent will increase inflationary pressures.

Energy questions

Looming over the entire economic picture is the world energy crisis. Although Belgium is not on the Arab boycott list, it is dependent on the pipeline from Rotterdam for 60 percent of its crude oil imports — a source which has been affected by the Arab boycott. The very recent decision by the OPEC countries to add Belgium to the list of "friendly" countries was welcomed, but just what this portends is not entirely clear at the moment. Some feel that the damage already done to the economy may be sufficient to check any appreciable growth in the first half of 1974. More important, perhaps is that no hard assessments have yet been made of the impact of increased oil prices on the Belgian economy. Austerity measures already in force may have to be widened in the new year to cope with the crisis.

BELGIUM's chief imports from U.S.: machinery, chemicals, minerals, aircraft, metals, cereals, tobacco.

In the face of these uncertainties, the outlook for U.S. exports to Belgium in 1974 is somewhat clouded. The devaluation of the U.S. dollar has had a salutary effect on trade with Belgium. Certain items, such as computer software programs involving performance prediction, outflow techniques, and industry/market oriented packages appear particularly promising. Available data also indicate a rising market for some printing and graphic arts equipment, men's and boys' outergarments, some organic pharmaceuticals, business machines, and certain hand tools. Conservatively, a 6-8 percent increase in U.S. exports is likely, subject to how the problems outlined above are resolved.

The U.S. share of the Belgian import market for the first six months of 1973 was 5.4 percent (as compared to 5.2 percent for the same period in 1972).

The following U.S. Government sponsored trade promotion events are tentatively planned for Belgium in 1974-'75: a limited exhibition (18 exhibitors) at the Mechanographie business machines show in Brussels (September), and three trade missions featuring computer software (June 1974), vehicular traffic control equipment (January 1975) and environmental pollution control instrumentation and equipment (April 1975).

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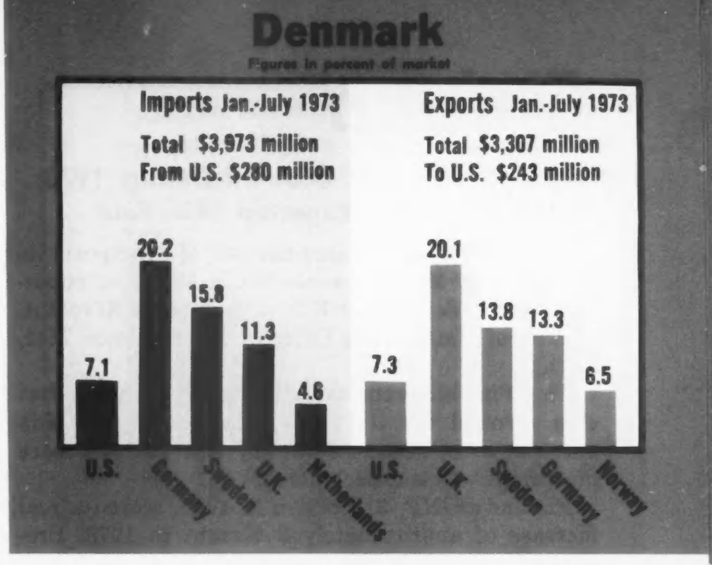

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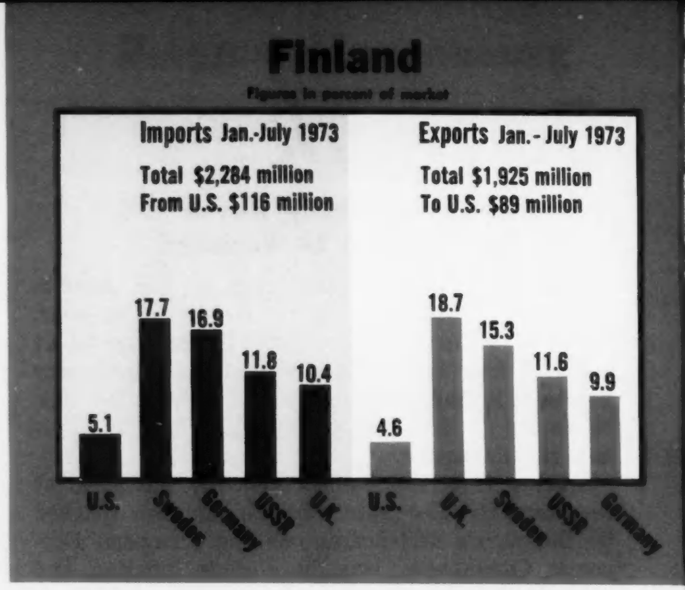

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The Finnish economy, stimulated by hefty foreign demand for its paper, machinery, and ship manufactures, advanced rapidly last year. A more modest growth is expected in 1974.

Finland's GNP, $13 billion in 1972, scored a real increase of approximately 6 percent in 1973. Pre-energy crisis projections estimated that this year the economy would grow by 4 to 5 percent. The extent to which this estimate may have to be lowered because of the crisis' impact cannot be ascertained until more facts are known about the extent and duration of the fuel shortages.

Finland's short-term position in the current crisis is relatively good. Much of the country's petroleum traditionally comes from the Soviet Union and is therefore unaffected by the Arab embargo. However, the Government is concerned about long-term effects and has announced several fuel-conservation measures, including possible gasoline rationing. If prolonged, the crisis will also curtail Finnish exports to key markets, especially the United Kingdom.

Prices, wages soar

Finland experienced serious inflation last year, chiefly because of steep wage increases and rising import prices. During January-September 1973, consumer prices jumped 12.6 percent and a full year increase of 14 percent was forecast. Government, industry, and labor hope to bring these pressures under control by negotiating a comprehensive incomes agreement this year, similar to arrangements which have proved successful in the recent past.

Last year was a banner year for U.S. sales in Finland. During January-July, Finland bought goods valued at $116 million, a 47 percent increase over the corresponding 1972 period. Big gains were registered by U.S. electrical machinery (up 116 percent), industrial raw materials (up 71 percent), transport equipment (up 102 percent), and foods (up 59 percent). The jump in transport equipment reflects purchase of a passenger ship from the United States. The U.S. share of Finland's market also increased during the review period to 5.1 percent, compared to 4.4 percent the previous year.

Agreement concluded

Finland on Nov. 21 completed action on its long-delayed industrial free trade agreement with the European Economic Community. Effective Jan. 1, 1974, it provides for phased elimination of tariffs on most industrial goods traded between Finland and the EEC over the 1974-'77 period. The phase-out period will be longer, however, on a few major Finnish exports, including paper products. Finland's tariffs on imports from the United States are not directly affected by the newly-signed agreement.

FINLAND's chief imports from U.S.: non-electric machinery, transport equipment, chemicals, electrical machinery, foods, instruments.

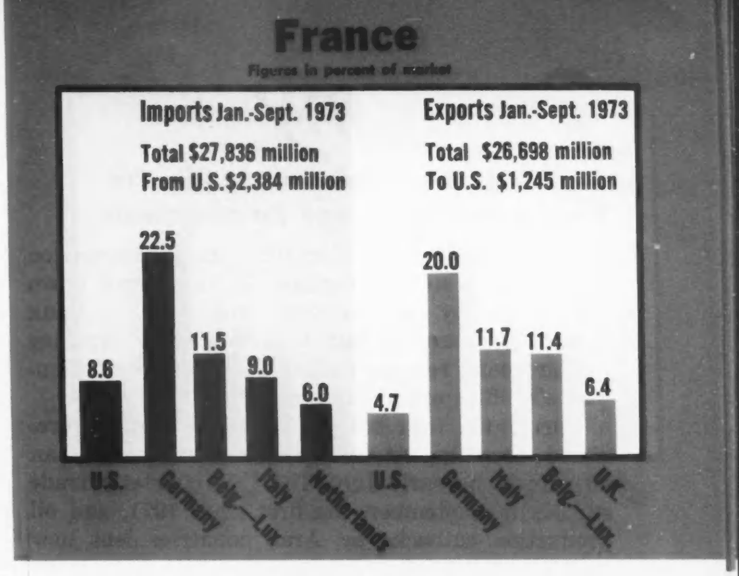
Finland offers favorable export prospects for a broad range of advanced U.S. machinery and equipment. Because of its relatively high wage costs, it requires automated and other cost-reducing equipment. Among the most-needed types are papermaking and packaging equipment; measuring and controlling apparatus; equipment to produce manmade textiles, computers and office machines; and electric power generating equipment, especially in the nuclear field. Also needed are chemicals for plastics and pharmaceuticals.

Although Finland's exports increased by 16 percent during January-September 1973, its imports jumped by 25 percent. A record balance-of-trade deficit was anticipated for the full year 1973, possibly totaling $600 million. Exchange reserves at the end of September totaled approximately $560 million, a decline of about $250 million from the January level. To protect against an exchange crisis, the Bank of Finland in July and August signed $300 million in standby credits with U.S. banks.

To counter inflation, Finland last year eliminated the use of short-term credit for imports of automobiles and household appliances. In addition, banks were cautioned to limit loans for nonessential construction.

France

Slowdown Of Economic Growth In '74 Seen Affecting Imports From U.S.



Unusually high growth of U.S. exports to France last year will decelerate considerably this year as a result of the forthcoming slowdown of French economic growth, according to Anita F. Brownstein of Commerce's Office of International Marketing.

Although France has had one of the fastest growing economies in Europe in recent years, the investment climate for 1974 is not very bright. Primarily, France expects a considerable decrease in export growth, due to economic slowdowns among her major trading partners. Also, higher energy prices will be aggravating high raw material costs.

Unspared by events occurring beyond her borders, the French Government forecasts the growth rate for 1974 to be between 2.5 and 3 percent—a considerable drop from the 5.5 percent predicted before the oil crisis occurred. Real GNP grew 5.8 percent in 1972 to $217.6 billion and at a 6.6 percent annual rate for the first half of 1973. Taking the growth slowdown since September into consideration, the economy should expand 6.1 percent for 1973 as a whole, resulting in a GNP of $247.5 billion.

Export growth slows

French export growth predictions for 1974 have been revised from 15 percent to 4 or 5 percent since the institution of the oil embargo. This should affect French investment plans considerably, as France sends 55 percent of its total exports to the Common Market countries whose growth rates will be severely affected by the oil shortage. The automobile industry, France's leading industrial exporter, has already been hard hit. Also, the rubber, chemical, and textile industries, high oil users, will find costs considerably raised by high oil prices—which will translate into higher prices.

Still, the French economy is basically strong. Until this year, it was growing fast with prices and unemployment rates below those of her neighbors. Foreign trade was heavy, the trade balance strong, and reserves of foreign exchange high.

U.S. products competitive

Though French import growth will slow down as its economy slows down, U.S. goods should keep their competitive price edge even though the dollar has been strengthening in recent months. The near 20 percent appreciation of the franc versus the dollar in 1973 should result in U.S. exports to France totaling $2.9 billion for the year, 35 percent over the 1972 total of $2.15 billion.

The U.S. share of the French import market has increased from 8.1 percent in 1972 to 8.6 percent for the first nine months of 1973. The U.S. trade surplus, $787 million for 1972, surpassed $1 billion from January through September. Should French growth slow to the 2.5 to 3 percent rate predicted for 1974, the market for U.S. capital goods will probably be dulled, except for products involved in energy production. Most consumer goods should, however, continue to enjoy good demand.

FRANCE's chief imports from U.S.: machinery and mechanical appliances, electrical equipment, aircraft and parts, instrumentation, organic chemicals, oilseed products.

Dollar depreciation has been of particular benefit to the more price sensitive U.S. consumer goods. Demand is strong for equipment for camping, winter sports, water sports, archery and hunting as well as for swimming pools. There is also growth potential for cotton and synthetic fabrics and ready-to-wear, easy-care garments for adults and children, large freezers and refrigerators, and small electro-mechanical household items.

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Other areas of high interest for American exporters include finished copper products, such as tubing, telecommunications equipment, sport and executive aircraft, and sophisticated machine tools and accessories.

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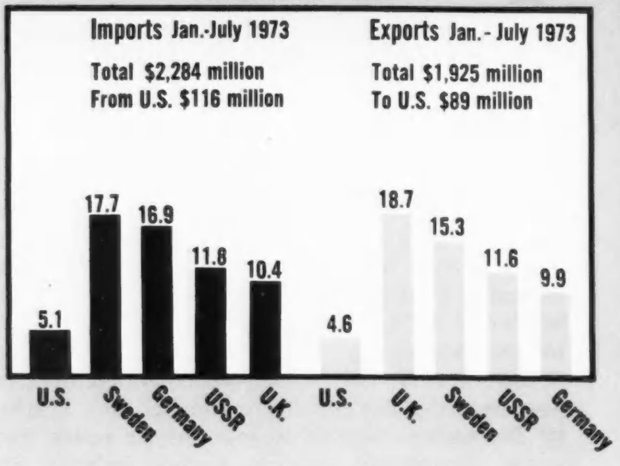
Finland

Figures in percent of market



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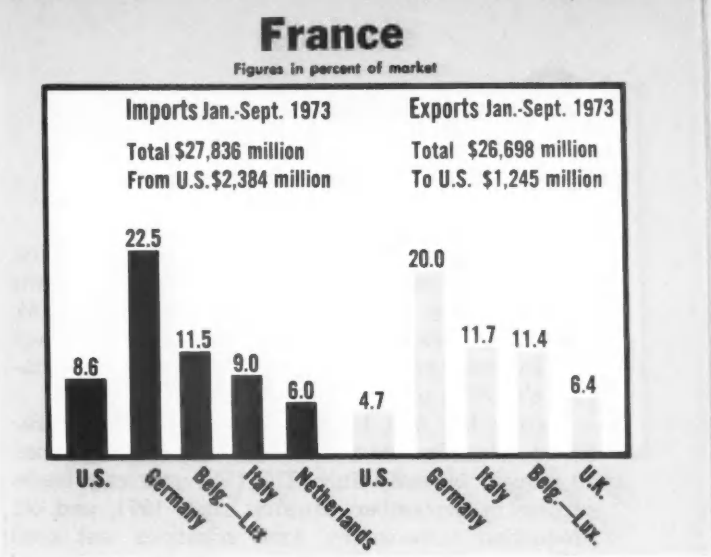

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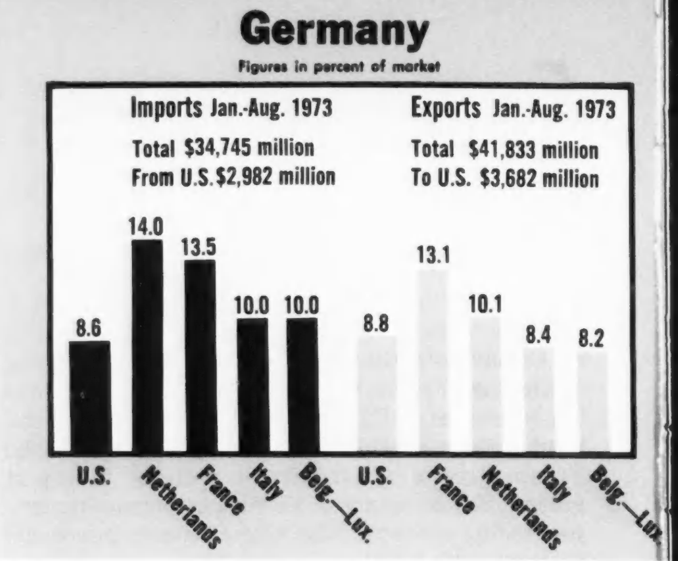
Germany

Cooling Down Of Economic Climate Accelerated By Energy Developments



The second German boom after the mini-recession of 1967 has run out of steam. It was slowed down principally by Government and Central Bank measures to check inflation, as well as by currency realignments, reports Velizar Stanoyevitch of Commerce's Office of International Marketing.

During the first half of 1973, the mark appreciated steadily vis-a-vis the dollar—more than 40 percent by early July. The U.S. quarterly trade surplus in September, the first since 1971, and oil production cutbacks by Arab countries lent new strength to the dollar. Its depreciation vis-a-vis the mark in mid-December was just over 20 percent.

Domestic orders have declined and industrial production has tended to stagnate, while wage pressures have intensified. Average take-home pay rose (3d quarter) 12 percent over a year ago, even though the rate of cost-of-living price increases did slow down from a record 7.6 percent in May and June to 6.2 percent in September. An increase in the number of unemployed to 332,000, or 1.5 percent of the labor force, was accompanied by a drop in job vacancies.

Prospects for 1974 appear less favorable. Before the energy developments, real GNP was expected to grow by 3 percent, compared to 6 percent this year. Now, assuming crude oil deliveries cover at least 80 percent of requirements, little if any growth is expected, while the number of unemployed could climb to 2 percent of the labor force. Actual results may turn out even more negative, in the light of recently announced large posted price increases for Middle East oil. Moreover, the Government has already announced a series of steps to safeguard jobs, reversing selectively a number of measures introduced last spring to combat inflation.

A pronounced economic upsurge earlier in 1973 in nearly all industrial countries, accompanied by higher prices, was primarily responsible for Germany's remarkable trade performance. Results through September appear to guarantee a surplus this year in the 30 billion mark (nearly $12 billion) range; German exports rose 20 percent over the like period in 1972, imports 13 percent. A marked slowdown in growth rates for both exports and imports to 9.5 percent and 8.5 percent, respectively, appears likely in 1974.

Trade with U.S.

Through September 1973 (adding a month to chart data above), the dollar value of U.S. exports ($3,322 million) to and imports ($4,272 million) from Germany rose dramatically (35.8 and 34.3 percent), largely as a result of the dollar-mark parity changes. In marks, U.S. exports rose about 14.1 percent — marginally higher than the overall rate. Our bilateral trade deficit at the end of September stood at $950 million. The U.S. share of the German import market was 8.5 percent, about unchanged from this country's share through the third quarter of 1972 (8.4 percent). The United States should be able to retain, if not improve its market share for the year. Similarly, it should at least match the anticipated overall rate of growth in German shipments from abroad.

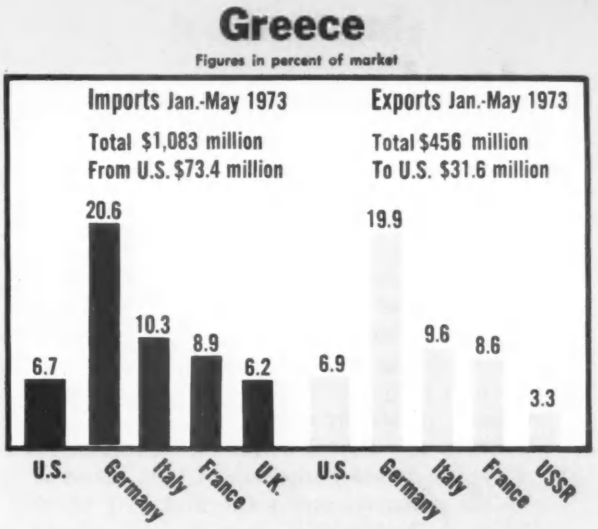
GERMANY's chief imports from U.S.: soybeans, electrical machinery, corn, wheat and tobacco, aircraft, office machines, chemicals and plastics.

Any projections for 1974 remain tentative because of the developing energy crisis in Europe and elsewhere, virtually assuring a slowdown in major industrial economies. Moreover, the crisis has tended to undermine the recent U.S. monetary gains by making our products relatively more expensive. The German Government's decision to lift the 11 percent investment tax should improve prospects for U.S. capital equipment sales.

The Commerce Department is again mounting an impressive number of exhibits at the Frankfurt U.S. Trade Center; through June 1974, these exhibitions will feature geophysical equipment, nuclear instrumentation, structural components, printing and graphic arts equipment, and hotel and restaurant equipment. Commerce sponsorship of group participations by U.S. firms at a select number of national and international trade fairs in Germany is under active consideration. The Department is also actively cooperating with the U.S. Embassy in Bonn in scheduling a series of "Invest in the U.S.A." symposiums.

Greece

Imports Soar As Economy Surges; Inflation Remains Major Problem



Even with the recent upheaval in Government, the outlook for Greece in 1974 remains the same—a 20 percent increase in imports while inflationary forces continue to exert pressure. Official Government sources estimate a 1973 real GNP growth rate in excess of 20 percent, at least 5 percent greater than the target of the 15-year 1973-'87 Economic Development Plan, reports Mara Yachnin of Commerce's Office of International Marketing.

The new economic measures passed in October by the recently-ousted Government to control the continuing problem of inflation are still in effect. These measures include a revaluation of the drachma, which now stands at 28.5 to the dollar. In addition, there was an upward adjustment of support prices for basic agricultural products in order to revitalize the nation's farmers and to bring Greek agricultural policy more in line with that of the Common Market. There was also the abandonment of the unsuccessful price control program, which will result in higher prices in the immediate future but should improve allocation of resources.

Public outlays limited

The Government also announced the restriction of government expenditures, including public investment, to less than 100 billion drachmas in 1974, and the continuation of credit restrictions, with priority treatment for productive investment.

According to the latest available Greek figures, imports from the United States during the first five months of 1973 showed an increase of 17.3 percent over the comparable period of 1972, primarily due to higher sales of manufactured goods, machinery, transport equipment, and chemicals.

The balance of payments situation continues to plague the Greek economy. Imports during the first half of 1973 rose by 62 percent, offsetting a healthy rise of 40 percent in exports, and resulting in a 74 percent increase in the trade deficit over the same period of 1972. However, the ability of the Greek Government to arrange long-term financing from international sources should ease the payments position for the immediate future.

Greece is an associate member of the European Economic Community. Under the terms of the 1962 Association Agreement, Greece is obligated over a 12 to 22-year period to eliminate its quantitative import restrictions and its import duties against the EEC, and to adjust its customs duties to that of the EEC Common External Tariff. In November the latest reduction in tariffs occurred in the 12-year elimination category, where tariffs have now been reduced by 90 percent. The final 10 percent reduction in the above category is scheduled for this November.

Sales openings grow

U.S. sales opportunities have been enhanced as American products are now, due to the recent revaluation of the drachma, less expensive to the Greek purchaser. For many years U.S. goods have enjoyed a reputation for high quality, durability, and advanced technology. The lower price now adds to their attractiveness.

GREECE's chief imports from U.S.: aircraft, corn, telecommunications equipment, ships and boats, furskins, iron and steel plates.

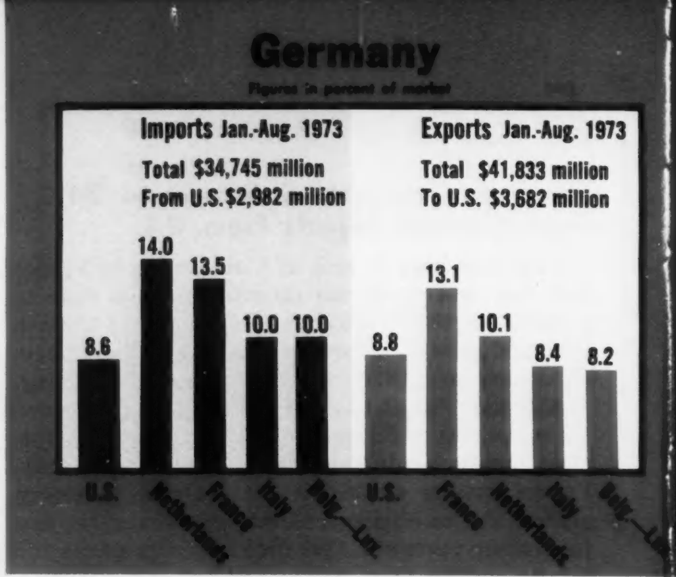
Prospects appear good for the following products: U.S. compact cars, scientific instruments, pharmaceuticals, synthetic and artificial fibers, wood pulp and paper wastes, iron and steel plates, grain and feedstuffs, and chemicals.

Other areas in which American equipment has good-to-excellent export potential include: construction and mining, food processing and packaging, metalworking, inplant materials handling, textiles, electric generation, hotels and recreation, cement, irrigation and farm machinery, commercial and industrial refrigeration, air conditioning, measuring and control instruments, pollution and environmental control, shipbuilding, and aircraft, including parts and maintenance equipment. In addition, U.S. know-how is in demand, particularly from consultants, engineers, architects, and management service firms.

The Commerce Department sponsored a technical sales seminar in Athens on airport navigational equipment in mid-January, and is planning to participate with a catalog show in the Posidonia International Shipping Exhibition, June 3-9, in Athens.

Germany

Cooling Down Of Economic Climate Accelerated By Energy Developments



The second German boom after the mini-recession of 1967 has run out of steam. It was slowed down principally by Government and Central Bank measures to check inflation, as well as by currency realignments, reports Velizar Stanoyevitch of Commerce's Office of International Marketing.

During the first half of 1973, the mark appreciated steadily vis-a-vis the dollar—more than 40 percent by early July. The U.S. quarterly trade surplus in September, the first since 1971, and oil production cutbacks by Arab countries lent new strength to the dollar. Its depreciation vis-a-vis the mark in mid-December was just over 20 percent.

Domestic orders have declined and industrial production has tended to stagnate, while wage pressures have intensified. Average take-home pay rose (3d quarter) 12 percent over a year ago, even though the rate of cost-of-living price increases did slow down from a record 7.6 percent in May and June to 6.2 percent in September. An increase in the number of unemployed to 332,000, or 1.5 percent of the labor force, was accompanied by a drop in job vacancies.

Prospects for 1974 appear less favorable. Before the energy developments, real GNP was expected to grow by 3 percent, compared to 6 percent this year. Now, assuming crude oil deliveries cover at least 80 percent of requirements, little if any growth is expected, while the number of unemployed could climb to 2 percent of the labor force. Actual results may turn out even more negative, in the light of recently announced large posted price increases for Middle East oil. Moreover, the Government has already announced a series of steps to safeguard jobs, reversing selectively a number of measures introduced last spring to combat inflation.

A pronounced economic upsurge earlier in 1973 in nearly all industrial countries, accompanied by higher prices, was primarily responsible for Germany's remarkable trade performance. Results through September appear to guarantee a surplus this year in the 30 billion mark (nearly $12 billion) range; German exports rose 20 percent over the like period in 1972, imports 13 percent. A marked slowdown in growth rates for both exports and imports to 9.5 percent and 8.5 percent, respectively, appears likely in 1974.

Trade with U.S.

Through September 1973 (adding a month to chart data above), the dollar value of U.S. exports ($3,322 million) to and imports ($4,272 million) from Germany rose dramatically (35.8 and 34.3 percent), largely as a result of the dollar-mark parity changes. In marks, U.S. exports rose about 14.1 percent — marginally higher than the overall rate. Our bilateral trade deficit at the end of September stood at $950 million. The U.S. share of the German import market was 8.5 percent, about unchanged from this country's share through the third quarter of 1972 (8.4 percent). The United States should be able to retain, if not improve its market share for the year. Similarly, it should at least match the anticipated overall rate of growth in German shipments from abroad.

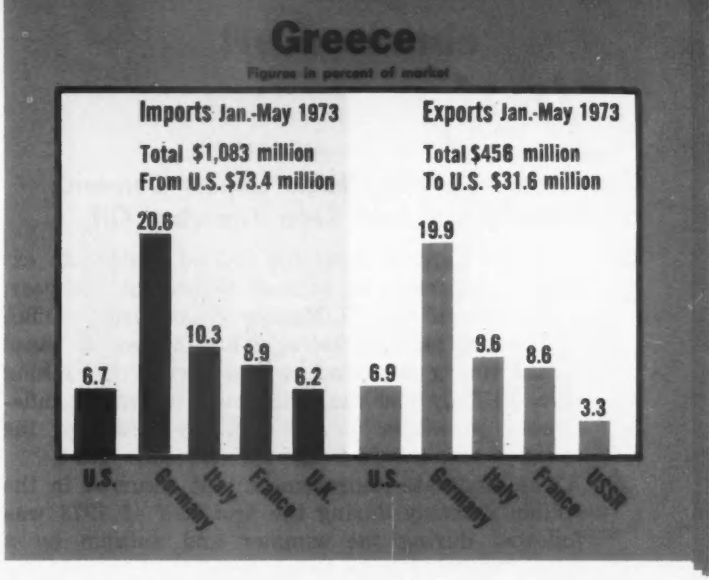
GERMANY's chief imports from U.S.: soybeans, electrical machinery, corn, wheat and tobacco, aircraft, office machines, chemicals and plastics.

Any projections for 1974 remain tentative because of the developing energy crisis in Europe and elsewhere, virtually assuring a slowdown in major industrial economies. Moreover, the crisis has tended to undermine the recent U.S. monetary gains by making our products relatively more expensive. The German Government's decision to lift the 11 percent investment tax should improve prospects for U.S. capital equipment sales.

The Commerce Department is again mounting an impressive number of exhibits at the Frankfurt U.S. Trade Center; through June 1974, these exhibitions will feature geophysical equipment, nuclear instrumentation, structural components, printing and graphic arts equipment, and hotel and restaurant equipment. Commerce sponsorship of group participations by U.S. firms at a select number of national and international trade fairs in Germany is under active consideration. The Department is also actively cooperating with the U.S. Embassy in Bonn in scheduling a series of "Invest in the U.S.A." symposiums.

Greece

Imports Soar As Economy Surges; Inflation Remains Major Problem



Even with the recent upheaval in Government, the outlook for Greece in 1974 remains the same—a 20 percent increase in imports while inflationary forces continue to exert pressure. Official Government sources estimate a 1973 real GNP growth rate in excess of 20 percent, at least 5 percent greater than the target of the 15-year 1973-'87 Economic Development Plan, reports Mara Yachnin of Commerce's Office of International Marketing.

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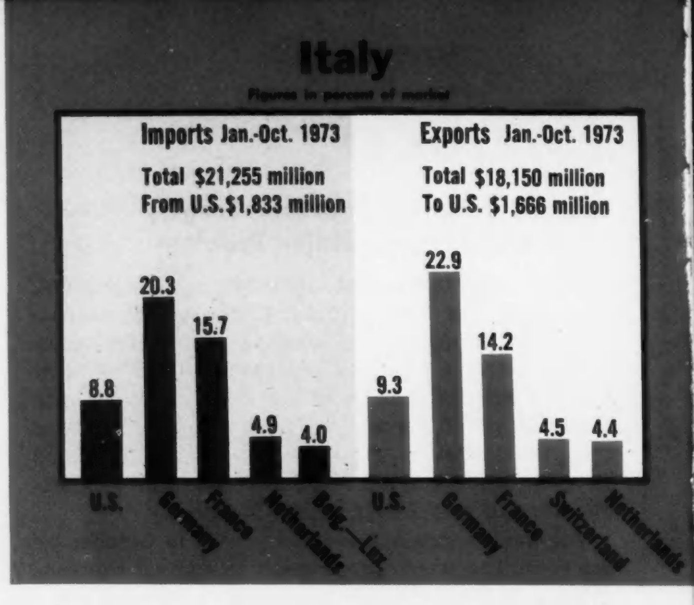
Italy

Strong Upswing Fuels Import Demand; Inflationary Rate Seen Tapering Off



Italian imports from the United States are expected to increase by at least 15 percent this year, in the view of Alan O. Maurer of Commerce's Office of International Marketing. This forecast is based on the strong economic expansion currently taking place in Italy and the continuance of strong inflationary pressures on the economy, although the inflation rate should be somewhat less in 1974.

The moderate improvement that occurred in the Italian economy during the first half of 1973 was followed during the summer and autumn by a strong upswing in economic activity with increasing indications that the economic recession of 1971-'72 has been overcome. The Italian Government estimates that real GNP increased by 5 percent in 1973 to about $137 billion. Private consumption also rose by 5 percent, with the main stimulus provided by increased disposable income stemming from national wage contract settlements.

Uncertain outlook

In spite of these improvements, which in large measure reflect a firming-up of domestic demand, the outlook for the Italian economy remains somewhat uncertain due to the energy crisis, rising costs and doubts of Italian entrepreneurs regarding future political and economic trends. The new income tax reform law which went into effect on Jan. 1 has also created economic uncertainties concerning its possible adverse impact on the investment climate.

The Italian Government estimates that GNP in 1974 will rise by 6 percent in real terms, with industrial production increasing by 9 percent, compared with the 7 percent increase in 1973. Prices rose very rapidly last year reflecting higher world commodity prices, devaluation of the lira and adoption of the value-added tax on Jan. 1, 1973. The inflation rate is expected to be about 8 percent this year compared with the nearly 11 percent rate for 1973.

With the signing of national wage contracts in the metal-mechanical and textile sectors, and the conclusion of wage agreements affecting government workers, there is hope that the labor front will remain calm. During the past year, however, strong price inflation eroded part of labor's wage gains. The extent to which labor peace will be maintained, therefore, will depend upon the success of government efforts to contain inflation. The labor unions are awaiting further evidence of positive results from the Government's price control measures before deciding on future wage bargaining tactics.

Imports gain sharply

U.S. exports increased about 37 percent in 1973 to an estimated $2.2 billion. Total Italian imports rose by about 32 percent to an estimated $25.5 billion, thus resulting in a gain in the U.S. share of the Italian market from 8.3 percent in 1972 to nearly 8.8 percent in 1973. The United States registered a trade surplus with Italy of about $200 million in 1973, compared with the previous year's deficit of $225 million. Overall Italian exports increased by only 16 percent last year to an estimated $21.6 billion, creating a trade deficit of nearly $4 billion. This situation should improve somewhat this year, in view of the de facto devaluation of the lira, which has amounted to approximately ten percent in the past six months.

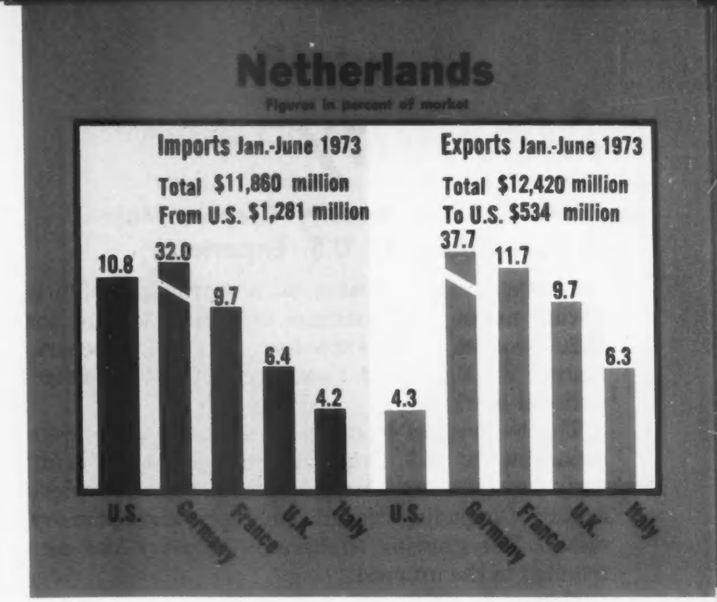
Product categories considered to offer excellent sales prospects in Italy include: printing and graphic arts equipment, livestock equipment, computers and related products, business automation equipment, industrial security equipment, biomedical equipment, chemical processing equipment, specialized machinery for food processing and packaging, communications equipment, microwave test equipment, production equipment for the electronics industry, industrial control and measuring instrumentation, industrial assembly equipment, advanced avionics equipment, pharmaceutical and cosmetic manufacturing equipment and supplies, materials handling equipment, and advanced building materials and supplies.

Exhibitions at the U.S. Trade Center in Milan through June include: industrial security equipment (February), production equipment for the electronics industry (March), data and telecommunications equipment (May), and bio-medical equipment (June).

ITALY's chief imports from U.S.: machinery, aircraft, cereals, soybeans, coal, metals.

Netherlands

Oil Boycott Clouds Economic Forecast; Weakened Demand For U.S. Goods Seen



The outlook for growth during 1974 in the Dutch economy and in imports from the United States is extremely cloudy. Although the growth in real GNP for 1973 is expected to be about 5 percent above the 1972 level of $45.6 billion, GNP might grow only 3.5 percent during 1974, reports Bobette P. Heien of Commerce's Office of International Marketing.

The economy has been plagued by wage and price inflation, and the cost of living index in October 1973 was 8 percent higher than it was one year before. At the same time, unemployment has remained relatively high by Dutch standards at 3 percent. One of the first steps taken by the Dutch government to alleviate these economic pressures was a 5 percent revaluation of the guilder in September 1973 in order to reduce import prices and encourage investment. Thus, the outlook for economic growth in 1974 will be predicated in part upon the government's ability to contain increases in wages and prices and to stimulate employment.

Rising concern

There is rising concern about the impact of the Arab oil boycott and of oil shortages on the vast Netherlands-based petroleum refinery industry, which has a capacity of about 1.6 million barrels per day and serves much of northwest Europe. The petroleum sector contributes about 7 percent of the Dutch GNP. Consequently, prolonged and severe cutbacks could hold down not only refinery output, but also production in many large Dutch industries using petroleum products for fuel and feedstocks.

As a result of the boycott, the major oil companies in the Netherlands have already cut back their refining operations to 64 percent of capacity. Other effects of the boycott are also clear: higher prices, lower production, greater unemployment, a drop in tax revenues, and a reduction in the balance of payments surplus.

To help curb the persistent inflation, the Netherlands Central Bank raised its discount rate to 8 percent in December. Banking credit to trade and industry will now cost 11 percent. Some people in monetary circles believe that the guilder is now overvalued and that the 5 percent revaluation of September 1973 should be turned back. Moreover, because of the crisis, the government plans to ask Parliament for authorization to regulate all incomes, wages, rents, dividends, and prices in 1974.

The Netherlands Central Planning Office has announced a revised forecast for 1974, based on the assumption that attempts to control inflation might be unsuccessful. The competitive position would thus worsen and it would be unlikely that there would be any drop in unemployment. The wage bill might go up 13 percent, and the price level might go up by another 8 percent. The volume of gross investments could be expected to climb only 6 percent, and the volume of production could settle at a 3.5 percent increase.

At the same time, the volume of goods exported is projected to increase 10.5 percent, down from 14 percent in 1973, while the volume of goods imported is anticipated to rise 9 percent, down from the 13.5 percent jump in 1973 over 1972. This would result in a substantially lower surplus in the balance of payments on current account, amounting to $53 million, or just over half of the amount of the total 1973 surplus. Most significantly, oil and oil products account for nearly 14 percent of Dutch imports and 10 percent of exports.

NETHERLAND's chief imports from U.S.: cereals, oilseeds, machinery, chemicals, animal feedstuffs, aircraft.

Could cut demand

It can be anticipated that the restrictive effects of a prolonged energy crisis on the Netherlands economy would substantially reduce Dutch demand for U.S. exports in 1974, to a point well below the estimated 24 percent boost in 1973 sales over the 1972 level. Despite the clouded outlook, the Department of Commerce is planning the following promotions in 1974: a June catalog show at the Petrotech Fair in Amsterdam, a computer software trade mission also in June, and a food processing and packaging trade mission in late October. Inquiries on these events should be directed to the Special Activities Division, OIM/BIC, U.S. Department of Commerce, Washington, D.C. 20230, or telephone 202-967-4457.

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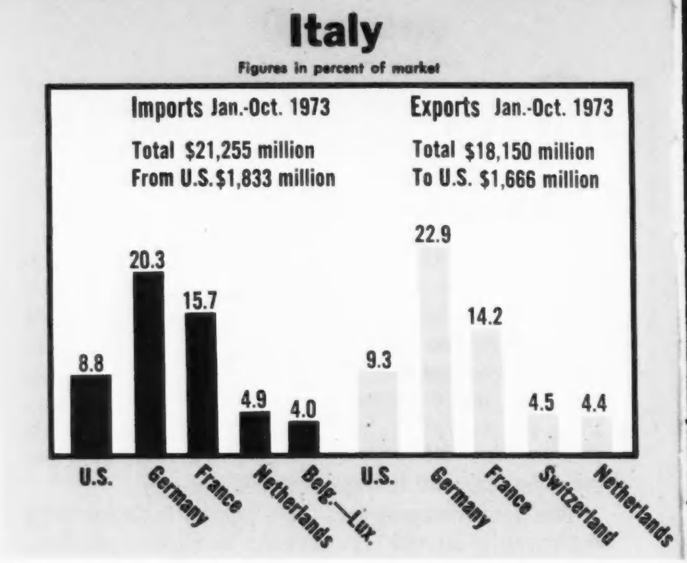

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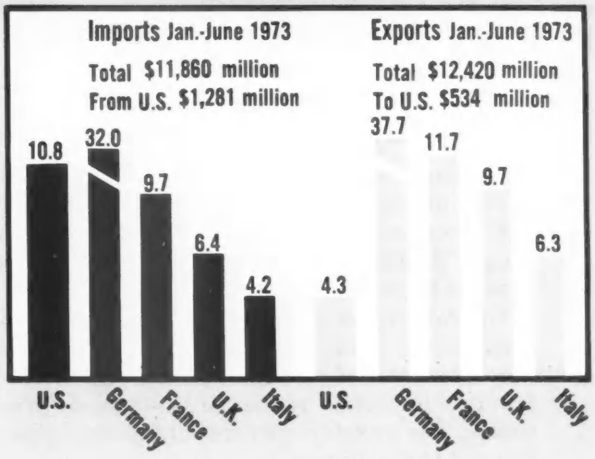
Figures in percent of market



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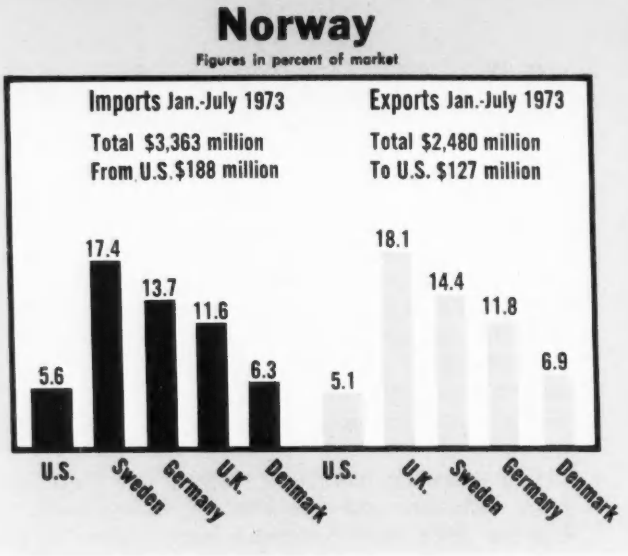
Norway

North Sea Oil Activity Creates Major Opportunities For U.S. Exporters

Norway's rising status as a European oil producing nation will continue to create demand for U.S. products and know-how this year, reports Harold A. McNitt of Commerce's Office of International Marketing.

The Norwegian economy experienced a moderate expansion in 1973. Principal cause for the upswing was strengthened foreign demand for Norway's exports, including forest products and primary metals. The growing offshore oil industry also contributed to the uptrend.



Norway's GNP, $16 billion in 1972, registered a real growth of about 4.3 percent in 1973. According to projections made last October, the GNP will achieve a further growth of 5.4 percent this year. This estimate will probably prove too high in the light of the energy crisis. An assessment of the impact of the crisis on Norwegian output will not be possible until the duration and extent of fuel shortages are better known.

Oil conservation program

Despite Norway's rapid growth as an oil producing nation based on offshore North Sea operations, the country is not expected to achieve self-sufficiency in petroleum until 1975. Meanwhile, the Government has adopted a conservation program calling for a 20 to 25 percent reduction in the use of petroleum fuels. Measures include gasoline rationing (scheduled to start in January) plus a 10 percent reduction of fuel to industries. All industry possible is being switched to electric power, with which Norway is well supplied by hydroelectric facilities. It may prove necessary to cut industrial fuel deliveries by 25 percent, but since this would cause disruptions and some unemployment, it is being delayed as long as possible.

Norwegian business confidence was buoyed last year by the adoption of an industrial free trade agreement between Norway and the European Economic Community. In effect since July 1, 1973, the agreement provides for phased elimination of tariffs on most industrial goods traded between Norway and the EEC over the 1973-'77 period. The phase-out period will be longer, however, for certain key Norwegian exports such as aluminum and paper products.

Norway has experienced very heavy inflationary pressures in recent years. Projections developed last fall indicated that consumer prices might increase from the 1973 rate of 7 or 8 percent to an unacceptable rate of 10 percent or more in 1974. Responding to this danger, the Government on Nov. 15 revalued the krone by 5 percent in an effort to reduce prices of imports.

The Norwegian oil boom is generating heavy demand for U.S. oil drilling, transmission, and related equipment. According to Norwegian data, imports from the United States during January-July 1973 totaled $188 million, a full 39 percent above the corresponding 1972 period. These data, incidentally, do not include substantial amounts of U.S. oil equipment exported directly to Norwegian offshore North Sea areas. Very large gains were registered in sales of U.S. non-electric machinery (up 13 percent), electrical machinery (up 51 percent), and transport equipment (up 139 percent). These trends continued through the year.

NORWAY's chief imports from U.S.: non-electric machinery, transport equipment, electrical machinery, soybeans, chemicals, grains.

U.S. products with high potential on the Norwegian market include offshore oil equipment, environmental pollution control equipment, and maritime industry equipment and accessories. In addition, there are promising opportunities for electronic data processing machinery and equipment for Norway's growing electronics industry.

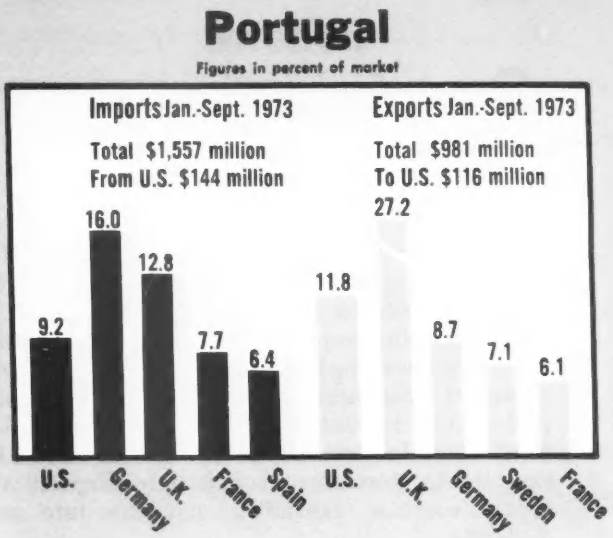
Norway enjoys a strong foreign exchange reserve position, equivalent to about $1.7 billion in July 1973.

Development of Norway's offshore oil resources will be accompanied by the growth of a major petrochemical industry based on natural gas liquids obtained from the Ekofisk Field in the North Sea. Preliminary plans call for construction of an ethylene cracking plant plus facilities for production of polyethylene and polypropylene.

Norway's aluminum industry is also expanding. Among other developments, the Lista smelter, half-owned by Alcoa, will increase production capacity by 45 percent by late 1975.

Portugal

U.S. Exports Steady; Offshore Oil Exploration Creates Receptive Market



The first nine months of 1973 saw U.S. exports to Portugal registering $144 million, with a slight increase over the $211 million of 1972 projected for the full year, Ann Corro of Commerce's Office of International Marketing reports. A drop in aircraft purchases from $69 million in 1972 to $13 million in 1973 should be noted in assessing the pace of U.S. exports.

Although the United States still maintains a trade surplus with Portugal, Portuguese exports to the United States are experiencing a good year. The $116 million in exports to the United States during the first nine months of 1973 indicates that the full-year figure will approximate the 1972 total of $149 million. The U.S. share of the market should remain at about 10 percent, with Portuguese exports to the U.S. at about 12 percent of their total exports.

There are presently two strong driving forces behind a forward looking economy: the agreement with the European Economic Community in July 1972 by which Portugal and the EEC are gradually reaching free trade, and the government-sponsored effort to restructure and modernize the country's industrial base. The Fourth Development Plan (1973-79) projects a minimum GDP growth rate of 7.5 percent and total investment outlays over $262 million a month.

Agreement's impact

Negotiations with the EEC succeeded in the main objectives of safeguarding critical markets in the former European Free Trade Association markets of the United Kingdom and Denmark, and in protecting sensitive domestic industries during the transitional period from exposure to the full weight of EEC competition. This free trade area will not be fully achieved until 1985. Gradual phasing in of the agreement will spread its effects over a decade. No change in Portugal's trade patterns has appeared and Portuguese manufacturers destined to be adversely affected by the arrangement are only beginning to react. In 1973, the agreement had little noticeable impact upon Portuguese-American trade.

National development objectives stated in the Third and Fourth Development Plans covering the 1970's call for heavy investment in infrastructure projects and basic industries. Large projects scheduled for the 1970's should provide opportunities for American exports. The U.S. competitive advantages lies in high technology, relatively expensive capital equipment, and consulting services aimed at both the public and private sectors.

Product categories with high sales potential for U.S. firms include: building and construction, pollution control, airport electronics and instrumentation, business and educational systems, wood and metalworking machinery, and medical equipment.

The government is favoring foreign investment which it views as contributing to national development with criteria such as site location, technological and capital contribution, and the involvement of local resources, including labor, as important considerations. Control is exercised through licensing and fiscal incentives. The Industrial Development Law of 1972, when fully implemented, will relax licensing, create incentives for resource pooling and mergers, and provide state support to specific projects. No matter how strongly domestic industry may respond to merger and subsidy policies, Portugal's need for technology insures continued foreign investment opportunities.

A major foreign investment opportunity in 1973 was offshore oil exploration. With the interruption in Arab oil supplies and the energy crisis looming, the strategic advantage of a continental reserve and the willingness of major petroleum companies to prospect for it, has become of paramount importance. Several million dollars worth of American drilling technology, equipment and offshore support services are expected to be in demand over the next three years.

The Department of Commerce's export trade promotion program for Portugal in 1974 includes a catalog on leisure time and sports equipment and a trade mission on port and industrial zone equipment. An in-store promotion is under consideration for late 1974.

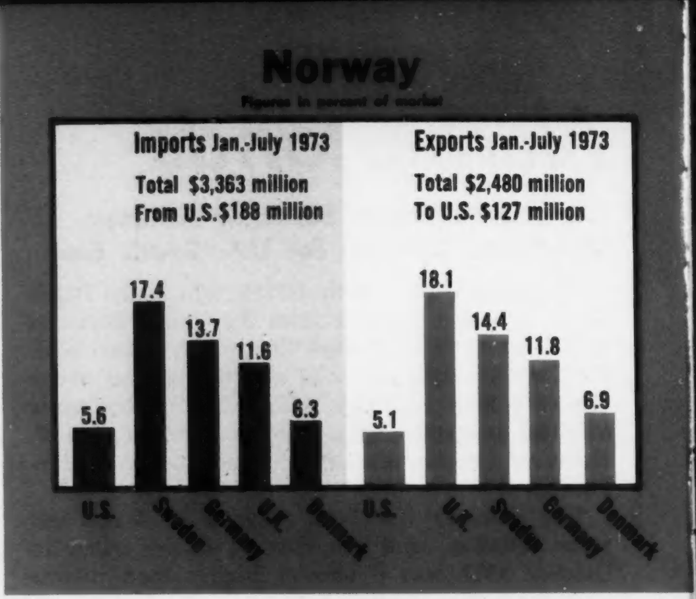
PORTUGAL's chief imports from U.S.: aircraft and parts, corn and wheat, office machines, coal, lubricating oils and greases, oilseed cake.

Norway

North Sea Oil Activity Creates Major Opportunities For U.S. Exporters

Norway's rising status as a European oil producing nation will continue to create demand for U.S. products and know-how this year, reports Harold A. McNitt of Commerce's Office of International Marketing.

The Norwegian economy experienced a moderate expansion in 1973. Principal cause for the upswing was strengthened foreign demand for Norway's exports, including forest products and primary metals. The growing offshore oil industry also contributed to the uptrend.



Norway's GNP, $16 billion in 1972, registered a real growth of about 4.3 percent in 1973. According to projections made last October, the GNP will achieve a further growth of 5.4 percent this year. This estimate will probably prove too high in the light of the energy crisis. An assessment of the impact of the crisis on Norwegian output will not be possible until the duration and extent of fuel shortages are better known.

Oil conservation program

Despite Norway's rapid growth as an oil producing nation based on offshore North Sea operations, the country is not expected to achieve self-sufficiency in petroleum until 1975. Meanwhile, the Government has adopted a conservation program calling for a 20 to 25 percent reduction in the use of petroleum fuels. Measures include gasoline rationing (scheduled to start in January) plus a 10 percent reduction of fuel to industries. All industry possible is being switched to electric power, with which Norway is well supplied by hydroelectric facilities. It may prove necessary to cut industrial fuel deliveries by 25 percent, but since this would cause disruptions and some unemployment, it is being delayed as long as possible.

Norwegian business confidence was buoyed last year by the adoption of an industrial free trade agreement between Norway and the European Economic Community. In effect since July 1, 1973, the agreement provides for phased elimination of tariffs on most industrial goods traded between Norway and the EEC over the 1973-'77 period. The phase-out period will be longer, however, for certain key Norwegian exports such as aluminum and paper products.

Norway has experienced very heavy inflationary pressures in recent years. Projections developed last fall indicated that consumer prices might increase from the 1973 rate of 7 or 8 percent to an unacceptable rate of 10 percent or more in 1974. Responding to this danger, the Government on Nov. 15 revalued the krone by 5 percent in an effort to reduce prices of imports.

The Norwegian oil boom is generating heavy demand for U.S. oil drilling, transmission, and related equipment. According to Norwegian data, imports from the United States during January-July 1973 totaled $188 million, a full 39 percent above the corresponding 1972 period. These data, incidentally, do not include substantial amounts of U.S. oil equipment exported directly to Norwegian offshore North Sea areas. Very large gains were registered in sales of U.S. non-electric machinery (up 13 percent), electrical machinery (up 51 percent), and transport equipment (up 139 percent). These trends continued through the year.

NORWAY's chief imports from U.S.: non-electric machinery, transport equipment, electrical machinery, soybeans, chemicals, grains.

U.S. products with high potential on the Norwegian market include offshore oil equipment, environmental pollution control equipment, and maritime industry equipment and accessories. In addition, there are promising opportunities for electronic data processing machinery and equipment for Norway's growing electronics industry.

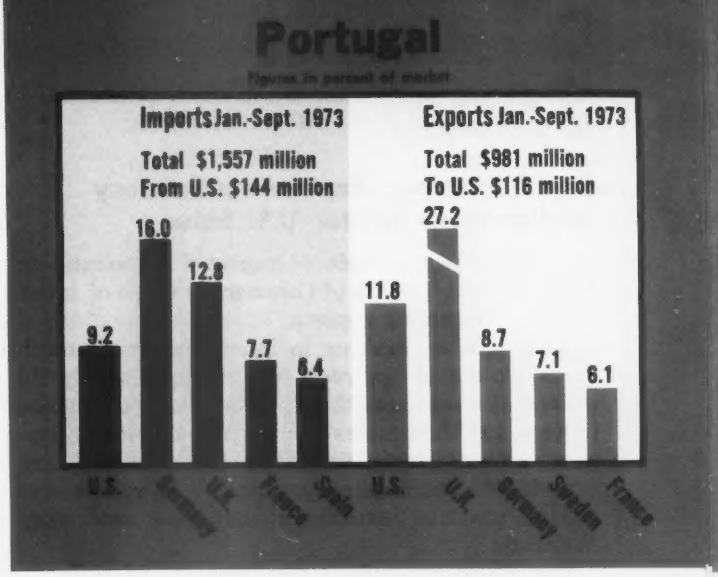
Norway enjoys a strong foreign exchange reserve position, equivalent to about $1.7 billion in July 1973.

Development of Norway's offshore oil resources will be accompanied by the growth of a major petrochemical industry based on natural gas liquids obtained from the Ekofisk Field in the North Sea. Preliminary plans call for construction of an ethylene cracking plant plus facilities for production of polyethylene and polypropylene.

Norway's aluminum industry is also expanding. Among other developments, the Lista smelter, half-owned by Alcoa, will increase production capacity by 45 percent by late 1975.

Portugal

U.S. Exports Steady; Offshore Oil Exploration Creates Receptive Market



The first nine months of 1973 saw U.S. exports to Portugal registering $144 million, with a slight increase over the $211 million of 1972 projected for the full year, Ann Corro of Commerce's Office of International Marketing reports. A drop in aircraft purchases from $69 million in 1972 to $13 million in 1973 should be noted in assessing the pace of U.S. exports.

Although the United States still maintains a trade surplus with Portugal, Portuguese exports to the United States are experiencing a good year. The $116 million in exports to the United States during the first nine months of 1973 indicates that the full-year figure will approximate the 1972 total of $149 million. The U.S. share of the market should remain at about 10 percent, with Portuguese exports to the U.S. at about 12 percent of their total exports.

There are presently two strong driving forces behind a forward looking economy: the agreement with the European Economic Community in July 1972 by which Portugal and the EEC are gradually reaching free trade, and the government-sponsored effort to restructure and modernize the country's industrial base. The Fourth Development Plan (1973-79) projects a minimum GDP growth rate of 7.5 percent and total investment outlays over $262 million a month.

Agreement's impact

Negotiations with the EEC succeeded in the main objectives of safeguarding critical markets in the former European Free Trade Association markets of the United Kingdom and Denmark, and in protecting sensitive domestic industries during the transitional period from exposure to the full weight of EEC competition. This free trade area will not be fully achieved until 1985. Gradual phasing in of the agreement will spread its effects over a decade. No change in Portugal's trade patterns has appeared and Portuguese manufacturers destined to be adversely affected by the arrangement are only beginning to react. In 1973, the agreement had little noticeable impact upon Portuguese-American trade.

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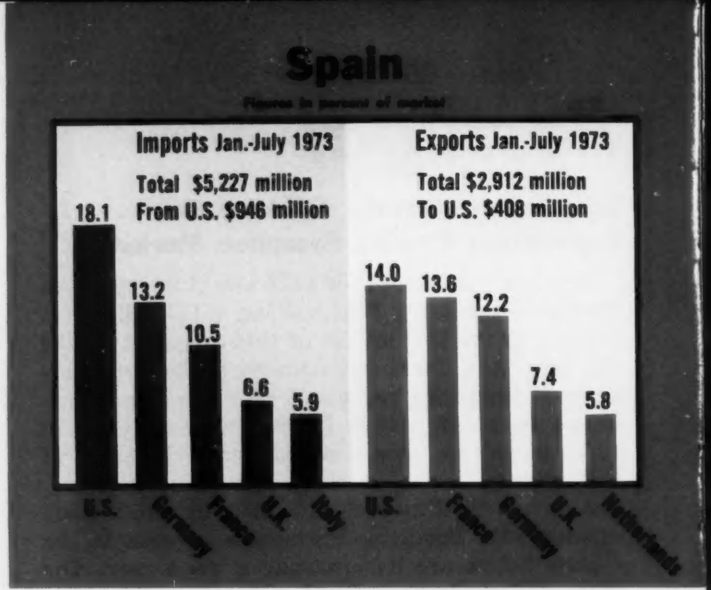
Spain

Rapid Economic Expansion, Currency Realignments Bolster U.S. Sales

Spain's foreign trade is expected to expand in 1974, William O. Sugg of Commerce's Office of International Marketing reports.

Although the increase in imports may not reach the sharp rise of last year, foreign purchases should expand at a rate near the 15 percent annual increase projected in the country's current economic development plan. Imports from the United States are expected to increase proportionately. Exports also should continue expanding, but the rate may moderate.



The Spanish economy thus far seems to have been little affected by the energy crisis, with Government actions limited to such measures as a reduction in speed limits, and an appeal for voluntary conservation in energy use. However, should serious fuel scarcities develop in Spain itself, or if slowdowns result in the economies of Spain's major trading partners, the otherwise favorable projections for 1974 would not hold true.

Growth impressive

The Spanish economy in recent years has enjoyed one of the highest rates of economic growth among Western nations. In 1972 real GNP expanded by 7.5 percent and reached $45 billion, while last year's real growth rate probably approximated 7 percent. Industrial expansion has been especially significant. With output of manufactured goods up by 11 percent in 1972, Spain now ranks sixth among the countries of Western Europe in industrial production. Continued economic growth and industrial expansion will afford opportunities for sales of advanced machinery and industrial raw materials, and rising purchasing power is upgrading demand for consumer products.

Spain has run a balance of payments surplus for the last four years and the country's international reserves have climbed remarkably to over $6 billion. With reserves now equivalent to about nine months' imports and a favorable balance of payments position, import growth should not be impeded by monetary constraints.

Inflation is the country's salient current economic problem. Prompted by an estimated 15 percent increase in the cost of living last year and by wage settlements which reached as much as 25 percent for some workers, the Government last December enacted measures intended to combat wage and price inflation as well as to stimulate productive investment. Included were measures limiting salary increases to the increase in the cost of living, and price controls on a number of commodities and services. At the same time, dividends in 1974 will be restricted to an amount not in excess of the past two years.

A moderate restructuring of the tax system was also put into effect, providing for the first time a tax on capital gains, while taxes on salaries will be slightly reduced. An investment tax credit, providing for a reduction in corporate taxes by 7 percent of the amount of new investment contracted before next June 30, was reestablished.

SPAIN's chief imports from U.S.: aircraft, machinery, soybeans, corn, iron and steel scrap, coal.

According to Spanish trade data, imports from the United States amounted to $1,268 million in the first ten months of 1973, compared with $853 million in the similar period of 1972, and the U.S. share of imports rose to 16.4 percent from 15.7 percent. The U.S. share went even higher through July, as shown in chart above.

Although the benefits of dollar devaluation have not yet been fully reflected, U.S. producers have gained appreciable benefits in the Spanish market. On the other hand, these advantages are being offset to some extent by the tariff preferences which Spain is granting to the EEC under their Preferential Trade Agreement.

Product categories which offer particularly good sales prospects are: printing and packaging equipment, advanced business machines, chemical processing equipment, medical equipment, advanced textile machinery, pollution control equipment, sophisticated electronic components, machine tools, materials handling equipment, and automotive maintenance equipment.

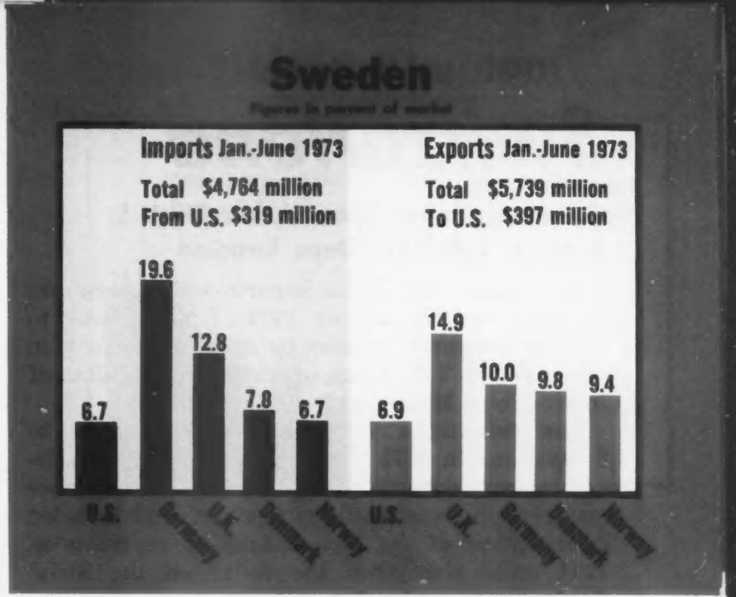
Department of Commerce export promotion projects being planned in Spain this year include a trade mission on port and industrial zone equipment in March, and a printing and packaging equipment exhibit at the GRAPHISPACK Fair in Barcelona, also in March.

Sweden

Trade Expected To Increase, But Sluggish Demand Keeps Upswing Below Anticipations

Reflecting continued moderate growth of demand in Sweden, U.S. exports will increase this year, according to present indications.

The current Swedish economic recovery, sparked by vigorous demand for its key exports, gradually accelerated in 1973. Harold A. McNitt of Commerce's Office of International Marketing reports that the upswing failed to develop as rapidly as expected, however, because of sluggish domestic demand. Consumers placed an unusually high percentage of their income into savings and many Swedish businessmen, animated by the same cautious spirit, postponed investment decisions.



Swedish authorities hope for a more balanced economic recovery this year, characterized by strengthened domestic demand. A new, unsettling factor, of course, is the energy crisis. Its impact cannot be evaluated until the extent and duration of the fuel shortages are better known.

Sweden's gross national product, $42 billion in 1972, achieved a real growth of approximately 4.5 percent in 1973. A further moderate gain of 4-5 percent has been predicted for the new year.

High fuel consumption

Although Sweden's petroleum reserve and supply situation appears adequate to meet current needs, business leaders are concerned because Swedish per capita consumption of petroleum fuels is the highest in Europe. A stringent rationing program for gasoline was implemented early in January. Strict measures have also been introduced to conserve oil and electricity.

Sweden's consumer price index, rising by a relatively modest 6.8 percent in 1973, will undoubtedly increase more rapidly this year. A 7-9 percent increase was expected prior to the energy crisis, but rising fuel import prices may well add to that estimate. U.S. products are currently in a favorable price position, both because of rising price levels in Sweden and elsewhere in Europe, and because of favorable exchange rate changes since 1971.

U.S. sales in Sweden during the first half of 1973 reached $319 million, an increase of 7 percent over the corresponding 1972 period. Significant gains were registered by U.S. electrical machinery, instruments, chemicals, raw materials, and food. Reflecting sluggish demand in Sweden, U.S. exports of non-electric machinery lagged.

Swedish exports to the United States during the first half of 1973 reached $397 million, an increase of 25 percent over the 1972 period. This impressive gain was led by Swedish machinery and steel shipments.

Swedish industrialists anticipate a significant growth in outlays for new equipment this year. Increased rates of investment are expected in the chemical industry (including petroleum, plastics, and rubber); the engineering industry (including machinery, metal fabrication, and transport equipment); iron and steel; and forest products. These investments will create favorable opportunities for U.S. exporters.

SWEDEN's chief imports from U.S.: non-electric machinery, chemicals, electrical machinery, aircraft, foods, instruments.

The United States maintains a strong export promotion program in Sweden. The U.S. Trade Center in Stockholm schedules several major shows annually plus numerous other promotional events. During the next several months exhibitions will feature instruments for physical and chemical measurement (May 14-18); electro/optical and photographic systems (June); audiovisual systems (September); building and construction equipment and materials —SCANBUILD III (October); and "ECOLOGY 75" (December).

Economic stimulus

The Swedish Government in late 1973 introduced a package of measures to stimulate domestic economic activity and to reduce unemployment, which has remained a stubborn problem. The package includes expanded public services, credit measures to help small businesses, and anti-pollution expenditures. Costing approximately $600 million, the measures are expected to create 20,000 new jobs.

A bright spot is Sweden's balance of payments position. A surplus of $100 million was registered in 1972 and another substantial surplus was predicted last year. Foreign exchange reserves reached $2.6 billion last September.

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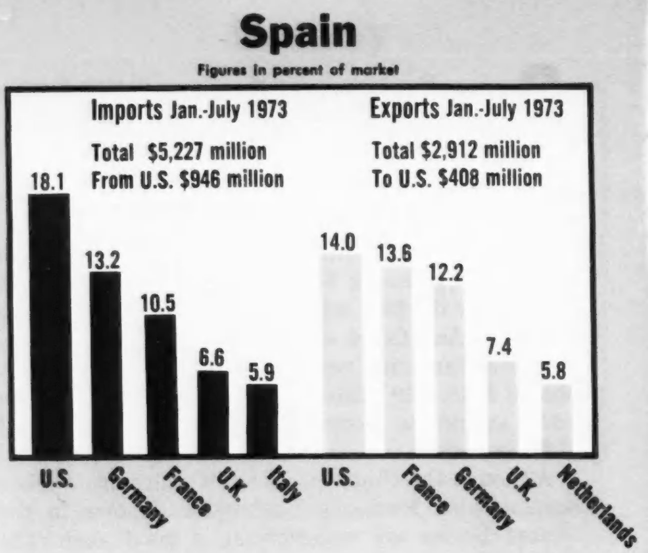

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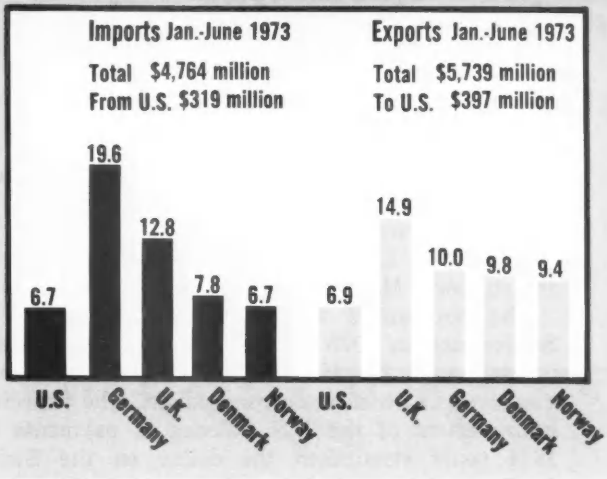
Figures in percent of market



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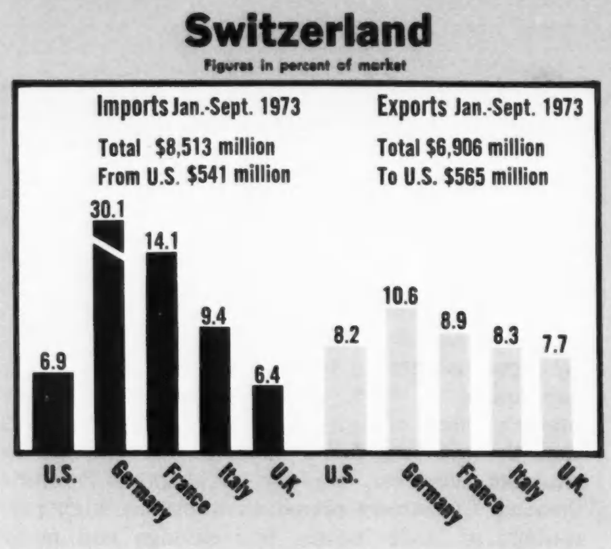
Switzerland

Currency Moves Spur Value Of U.S. Exports; Inflation Steps Enacted



As in the past, Swiss imports and exports are expected to increase in 1974. U.S. exports to Switzerland could increase by about 10 percent, in the view of Leo Kuus of Commerce's Office of International Marketing.

The substantial increase of U.S. exports to Switzerland in 1973 was primarily due to the depreciation of the U.S. dollar, since the increase measured in Swiss francs was slight. The expected improvement of the U.S. balance of payments in 1974 could strengthen the dollar on the Swiss foreign exchange market, and consequently U.S. exports to Switzerland would not reflect the higher dollar values which in 1973 resulted from the depreciation of the U.S. dollar vis-a-vis the Swiss franc.

Nevertheless, price changes on the Swiss market due to changes in exchange rates should have a favorable effect on U.S. exports for years to come, although, Swiss imports generally, do not respond easily to price changes.

Among industrial countries, Switzerland has the third highest rate of inflation, more than 8 percent. The approval of the Government's four anti-inflationary measures, adopted by a referendum in December, should contain both domestic demand and foreign imports.

High GNP per capita

In 1972, the Swiss GNP increased by 14.4 percent in current prices to $30.2 billion. In real terms the GNP increased by 4.7 percent. For 1973 and 1974, growth rates are expected to be below 4 percent. Per capita GNP is one of the highest in Europe at $4,800.

Switzerland stands, to use the words of an industry spokesman, between the hammer of revaluation and anvil of inflation. Due to the quality of Swiss products and world-wide inflation, Swiss exports have so far been able to withstand the adverse effects of the appreciation of its currency. As to inflation, wages in industry have increased about 9 percent per year. It seems that the limit to which industry is able to absorb increased production costs through rationalization of production and corporate management has already been reached.

Despite price advantages resulting from the depreciation of the U.S. dollar and high Swiss domestic inflation, EEC countries remain the main U.S. competitors on the Swiss market. American price advantages are offset by such factors as the proximity of EEC countries to the market, and more favorable conditions for uninterrupted deliveries and after-sales service. To a lesser extent, the second 20 percent reduction of the low Swiss industrial tariffs, based on the EEC-Swiss trade agreement, will also further Swiss imports from the EEC countries. This reduction became effective January 1.

U.S. exports to Switzerland increased in 1972 by 3.9 percent, and surged during the first 10 months of 1973 by 45 percent. However, the U.S. market share decreased from 6.9 percent in 1972 to 6.3 percent in Jan.-Sept. 1973. The drop reflects the fact that imports from the U.S. measured in Swiss francs increased by 5.2 percent, but from the rest of the world they were up 12.8 percent.

SWITZERLAND's chief imports from U.S.: aircraft, organic chemicals, electronic tubes, jewelry, tobacco, furskins.

The following industrial products are considered to have the best prospects on the quality-conscious Swiss market: biomedical equipment, regulating and control instrumentation, advanced analytical and laboratory instrumentation, environmental control equipment, food processing and packaging equipment, and sophisticated electronics equipment.

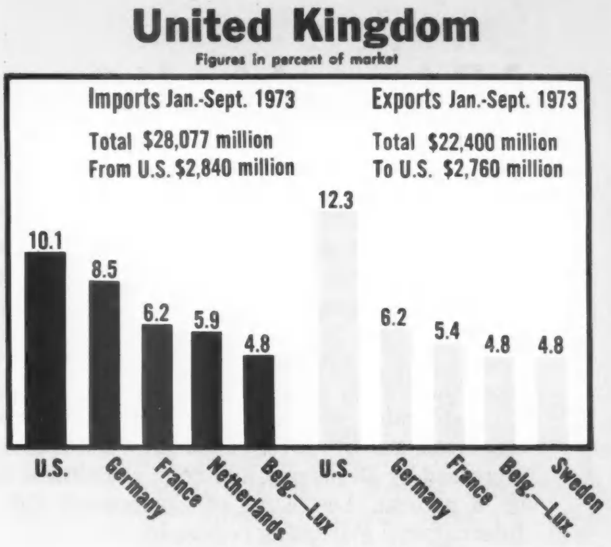
U.S. promotions

The Department of Commerce is scheduling an October trade mission to Switzerland promoting the sale of environmental protection equipment. In the spring, a consumer goods promotion has been planned with a leading department store chain.

Switzerland continues to provide a hospitable climate for foreign direct investments. The ban on foreign purchases of Swiss securities and real estate, which was enacted in June 1972, was intended to ward off inflows of speculative foreign capital but not to inhibit foreign direct investments. At the end of 1972, U.S. direct investments in Switzerland amounted to $1.9 billion and Swiss direct investments in the United States to $1.6 billion.

United Kingdom

Budget Cuts, Short Work Week Slow Economy As Labor Problems Continue



U.S. exports of industrial goods to the United Kingdom in 1974 are unlikely to exceed the level reached in 1973, as a result of restraints on industrial production imposed by domestic labor difficulties, by cutbacks in the supply of imported fuel oil and by probable stagnation in new industrial investment, according to Paul A. Norloff of Commerce's Office of International Marketing.

The three-day work week decreed in mid-December to take effect Jan. 1, because of labor difficulties which impeded access to domestic supplies of coal for electricity generating plants, will certainly result in cutbacks in industrial demand for intermediate and capital goods from the United States. Government difficulties in obtaining labor cooperation in implementing Stage Three of its anti-inflation program may continue in 1974, damaging business confidence and slowing the growth of private industrial investment.

Little GNP growth seen

Most observers expect GNP in 1974, under the impact of the factors listed above, to show little or no growth over 1973. The National Institute for Economic and Social Research estimated GNP growth in the period from the last half of 1971 to the first half of 1973 to have been at the rate of 4.5 percent.

The combination of cutbacks in the supply of oil from the Middle East during 1974 with drastic increases in the cost of remaining oil imports alone are expected to prevent the realization of an otherwise anticipated 3.5 percent GNP growth rate in 1974. Expansion plans by industry are being shelved presently until the impact of current problems can be assessed. The Government's mid-December announcement of new consumer credit controls and a $2.7 billion reduction in the national budget has now made nil GNP growth even more likely.

The United Kingdom's balance of payments is now widely expected to show a deficit of more than $3.5 billion. The payments deficit during 1973 had been growing at an alarming rate, largely as a result of soaring prices for imported raw materials, partly as a consequence of the dropping value of the floating pound. The increased cost of Arab oil will now impose additional costs of about $2.5 billion per year. This increased burden may require some new Government measures during 1974 to restrain imports.

U.K. imports from the world in January-September 1973 amounted to more than $28,077 million, up 40 percent from the comparable period in 1972. Imports from the United States in January-September reached $2,840 million, a 38 percent increase over comparable 1972 imports, and accounting for 10.1 percent of total U.K. imports—down from the 10.5 percent share recorded by the United States in 1972. A substantial part of these large increases in value represent price increases, but substantial volume increases were recorded in U.K. imports of U.S. chemicals, machinery, and transport equipment and miscellaneous articles.

UNITED KINGDOM's chief imports from U.S.: cereals, tobacco, machinery, textile fibers, chemicals, transport equipment.

Although the United Kingdom joined the European Community on Jan. 1, 1973, no changes were made in the U.K. tariff until April 1, when industrial tariffs were dropped by 20 percent for imports from Community members only. On January 1, a further reduction of 20 percent for Community imports went into effect, leaving applicable tariffs at 60 percent of their original level. Duty-free treatment of Irish and Danish goods will continue, and most goods imported from other original EFTA countries remain duty-free.

Move toward CXT

The first changes to be made in U.K. tariffs applicable to others are being put into effect this month, when import duties are being moved by 40 percent toward the Community's Common External Tariff.

Products which continue to offer promising potential for increased sales by U.S. exporters include oil and gas equipment, high technology machinery and tools, food processing machinery, and mechanical handling equipment.

The U.S. Trade Center in London, which closed during the second half of 1973 to move to new and larger quarters, is expected to be re-opened in the fall of 1974.

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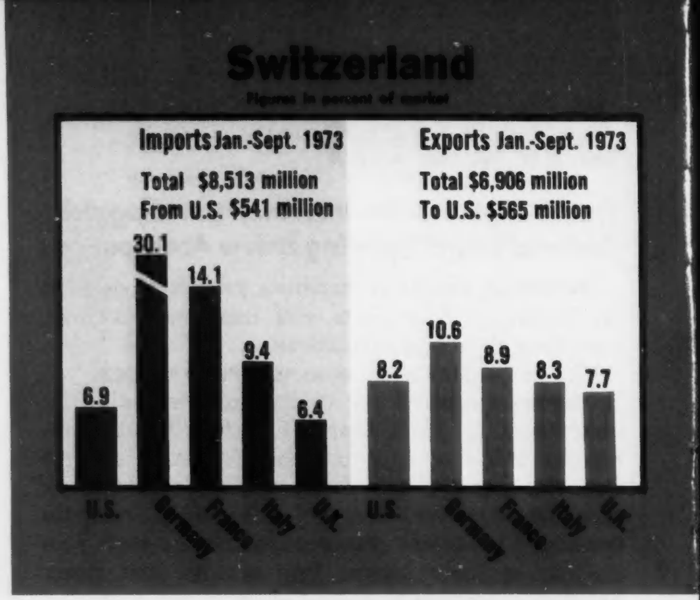

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The substantial increase of U.S. exports to Switzerland in 1973 was primarily due to the depreciation of the U.S. dollar, since the increase measured in Swiss francs was slight. The expected improvement of the U.S. balance of payments in 1974 could strengthen the dollar on the Swiss foreign exchange market, and consequently U.S. exports to Switzerland would not reflect the higher dollar values which in 1973 resulted from the depreciation of the U.S. dollar vis-a-vis the Swiss franc.

Nevertheless, price changes on the Swiss market due to changes in exchange rates should have a favorable effect on U.S. exports for years to come, although, Swiss imports generally, do not respond easily to price changes.

Among industrial countries, Switzerland has the third highest rate of inflation, more than 8 percent. The approval of the Government's four anti-inflationary measures, adopted by a referendum in December, should contain both domestic demand and foreign imports.

High GNP per capita

In 1972, the Swiss GNP increased by 14.4 percent in current prices to $30.2 billion. In real terms the GNP increased by 4.7 percent. For 1973 and 1974, growth rates are expected to be below 4 percent. Per capita GNP is one of the highest in Europe at $4,800.

Switzerland stands, to use the words of an industry spokesman, between the hammer of revaluation and anvil of inflation. Due to the quality of Swiss products and world-wide inflation, Swiss exports have so far been able to withstand the adverse effects of the appreciation of its currency. As to inflation, wages in industry have increased about 9 percent per year. It seems that the limit to which industry is able to absorb increased production costs through rationalization of production and corporate management has already been reached.

Despite price advantages resulting from the depreciation of the U.S. dollar and high Swiss domestic inflation, EEC countries remain the main U.S. competitors on the Swiss market. American price advantages are offset by such factors as the proximity of EEC countries to the market, and more favorable conditions for uninterrupted deliveries and after-sales service. To a lesser extent, the second 20 percent reduction of the low Swiss industrial tariffs, based on the EEC-Swiss trade agreement, will also further Swiss imports from the EEC countries. This reduction became effective January 1.

U.S. exports to Switzerland increased in 1972 by 3.9 percent, and surged during the first 10 months of 1973 by 45 percent. However, the U.S. market share decreased from 6.9 percent in 1972 to 6.3 percent in Jan.-Sept. 1973. The drop reflects the fact that imports from the U.S. measured in Swiss francs increased by 5.2 percent, but from the rest of the world they were up 12.8 percent.

SWITZERLAND's chief imports from U.S.: aircraft, organic chemicals, electronic tubes, jewelry, tobacco, furskins.

The following industrial products are considered to have the best prospects on the quality-conscious Swiss market: biomedical equipment, regulating and control instrumentation, advanced analytical and laboratory instrumentation, environmental control equipment, food processing and packaging equipment, and sophisticated electronics equipment.

U.S. promotions

The Department of Commerce is scheduling an October trade mission to Switzerland promoting the sale of environmental protection equipment. In the spring, a consumer goods promotion has been planned with a leading department store chain.

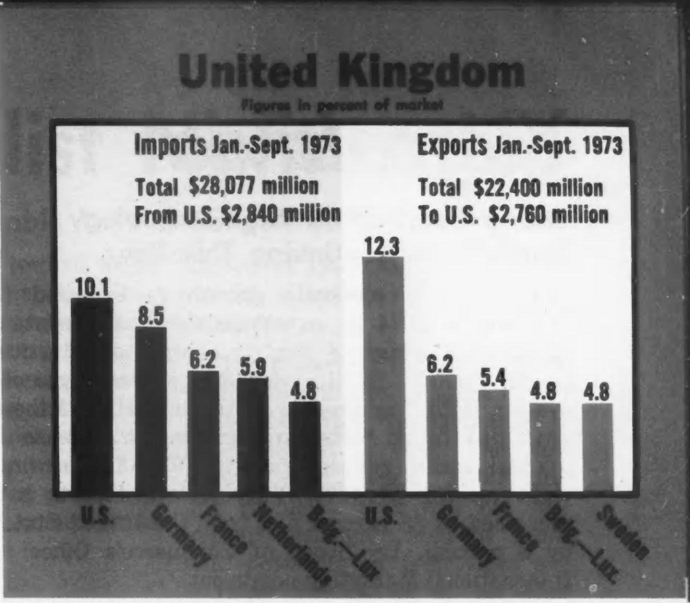
Switzerland continues to provide a hospitable climate for foreign direct investments. The ban on foreign purchases of Swiss securities and real estate, which was enacted in June 1972, was intended to ward off inflows of speculative foreign capital but not to inhibit foreign direct investments. At the end of 1972, U.S. direct investments in Switzerland amounted to $1.9 billion and Swiss direct investments in the United States to $1.6 billion.

United Kingdom

Budget Cuts, Short Work Week Slow Economy As Labor Problems Continue

U.S. exports of industrial goods to the United Kingdom in 1974 are unlikely to exceed the level reached in 1973, as a result of restraints on industrial production imposed by domestic labor difficulties, by cutbacks in the supply of imported fuel oil and by probable stagnation in new industrial investment, according to Paul A. Norloff of Commerce's Office of International Marketing.

The three-day work week decreed in mid-December to take effect Jan. 1, because of labor difficulties which impeded access to domestic supplies of coal for electricity generating plants, will certainly result in cutbacks in industrial demand for intermediate and capital goods from the United States. Government difficulties in obtaining labor cooperation in implementing Stage Three of its anti-inflation program may continue in 1974, damaging business confidence and slowing the growth of private industrial investment.



Little GNP growth seen

Most observers expect GNP in 1974, under the impact of the factors listed above, to show little or no growth over 1973. The National Institute for Economic and Social Research estimated GNP growth in the period from the last half of 1971 to the first half of 1973 to have been at the rate of 4.5 percent.

The combination of cutbacks in the supply of oil from the Middle East during 1974 with drastic increases in the cost of remaining oil imports alone are expected to prevent the realization of an otherwise anticipated 3.5 percent GNP growth rate in 1974. Expansion plans by industry are being shelved presently until the impact of current problems can be assessed. The Government's mid-December announcement of new consumer credit controls and a $2.7 billion reduction in the national budget has now made nil GNP growth even more likely.

The United Kingdom's balance of payments is now widely expected to show a deficit of more than $3.5 billion. The payments deficit during 1973 had been growing at an alarming rate, largely as a result of soaring prices for imported raw materials, partly as a consequence of the dropping value of the floating pound. The increased cost of Arab oil will now impose additional costs of about $2.5 billion per year. This increased burden may require some new Government measures during 1974 to restrain imports.

U.K. imports from the world in January-September 1973 amounted to more than $28,077 million, up 40 percent from the comparable period in 1972. Imports from the United States in January-September reached $2,840 million, a 38 percent increase over comparable 1972 imports, and accounting for 10.1 percent of total U.K. imports—down from the 10.5 percent share recorded by the United States in 1972. A substantial part of these large increases in value represent price increases, but substantial volume increases were recorded in U.K. imports of U.S. chemicals, machinery, and transport equipment and miscellaneous articles.

Although the United Kingdom joined the European Community on Jan. 1, 1973, no changes were made in the U.K. tariff until April 1, when industrial tariffs were dropped by 20 percent for imports from Community members only. On January 1, a further reduction of 20 percent for Community imports went into effect, leaving applicable tariffs at 60 percent of their original level. Duty-free treatment of Irish and Danish goods will continue, and most goods imported from other original EFTA countries remain duty-free.

Move toward CXT

The first changes to be made in U.K. tariffs applicable to others are being put into effect this month, when import duties are being moved by 40 percent toward the Community's Common External Tariff.

Products which continue to offer promising potential for increased sales by U.S. exporters include oil and gas equipment, high technology machinery and tools, food processing machinery, and mechanical handling equipment.

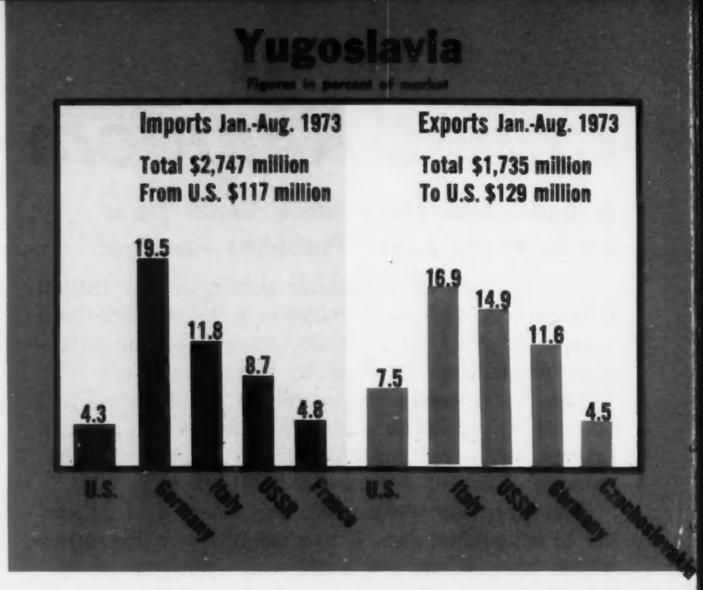
The U.S. Trade Center in London, which closed during the second half of 1973 to move to new and larger quarters, is expected to be re-opened in the fall of 1974.

UNITED KINGDOM's chief imports from U.S.: cereals, tobacco, machinery, textile fibers, chemicals, transport equipment.

Yugoslavia

Strong Demand For High-Technology Goods Seen Continuing This Year

Yugoslavia's economic growth is expected to continue in 1974 in an environment of persistent inflation, shortage of electric energy, and institutional changes in the workers' self-management system. Both Yugoslavia's overall imports and those from the United States are expected to increase at a considerably reduced rate in 1974. In the first eight months of 1973, Yugoslavia's imports had increased by 38 percent and from the United States by 8 percent, Leo Kuus of Commerce's Office of International Marketing points out.



Growth of the urban population, the drive to modernize industry, and shortages of many raw materials for newly created industries have increased the country's dependence on imports, which account for 25 percent of the GNP.

The Yugoslav GNP increased in 1972 by 5.5 percent in real terms, 6 percent in 1973, and is expected to be around 6 percent in 1974. However, in current prices the increase in 1972 was 19.7 percent and in 1973, over 20 percent.

Price developments and foreign exchange rate adjustments have continued to influence the U.S. competitive position in the Yugoslav market. Retail prices increased in 1972 by 17 percent, and in 1973 they will increase more than 20 percent. The government has now turned its attention to elimination of the causes rather than cure of the symptoms of inflation. To improve the supply of raw materials and semi-manufactures, in the past six months the government has assigned nearly $220 million for additional imports. It is also aiming to counter declining productivity growth rates by financial incentives and by giving workers more influence in their economic organization.

After the revaluation of the German mark in June 1973, Yugoslavia decided to float the dinar along with other West European currencies. On July 9, the buying rate of the dinar changed from 15.93 to one U.S. dollar to 15.15, which resulted in a slight improvement in the U.S. competitive position.

The U.S. share of the market amounted to slightly more than 6 percent in 1971 and 1972, but declined in the first half of 1973 to 4.9 percent. This was because Yugoslav total imports increased at a greater rate, 38 percent, than imports from the United States, which increased 19 percent, over the first half of 1972. Part of U.S. exports of capital goods to Yugoslavia are facilitated by Export-Import Bank credits, those of agricultural products by credits from the Commodity Credit Corporation.

Main impediments to expansion of trade have been foreign exchange restrictions for certain imports and dinar deposits for imports payable in cash and on credit. In 1973, about 40 percent of all imports were free of foreign exchange restrictions, and by the end of 1974, the percentage is scheduled to be 60 percent.

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Gold and foreign exchange reserves at the end of 1973 are expected to reach $1.7 billion, about one billion higher than a year ago, due principally to invisible transactions.

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YUGOSLAVIA's chief imports from U.S.: aircraft, oilseed cake, soybean oil, passenger cars and trucks, construction and mining machinery, railway locomotives.

Trade With Socialist Nations Up

Last Year's Projections Sustained; Balance Favorable To U.S. Reaches $2 Billion

The acceleration of bilateral trade between the United States and Socialist countries during 1973 verified early predictions and yielded a trade surplus for the American economy estimated at more than $2 billion, Peter S. Kramaric of Commerce's Office of East-West Trade Development reports.

Last fall, Secretary of the Treasury George P. Shultz and Secretary of Commerce Frederick B. Dent traveled on official missions to the Soviet Union and other Socialist countries to discuss the expansion of trade and long-term economic cooperation between the two systems.

The U.S. business community, responding to the potential of the Socialist markets, demonstrated growing understanding of the complexities of the centrally planned systems.

Increased awareness of the many faces of detente stepped up the intergovernmental process of negotiation toward removing historical obstacles and toward peaceful resolution of problems impeding the increasing flow of trade and technological cooperation.

U.S. office opens

The goals of improved communications and effective building of the bridges between East and West saw the official opening in Moscow of the U.S. Commercial Office which will become operational in 1974, the strengthening of trade promotional activities sponsored by the U.S. Government in Socialist countries including two high-level executive trade missions to the USSR and to Czechoslovakia and the first entry of a group of American executives to the People's Republic of China under the auspices of the National Council for U.S.-China Trade.

The overall trend toward long-term industrial cooperation between American corporations and individual Socialist enterprises prepared the potentially fertile ground for exploration of vast natural resources, many of which are currently in short supply around the world, and indicated the possibility of diversification of commodities flow in the future.

Net improvement

The concept of East-West trade, a relatively new phenomenon on the American scene, is not immune to setbacks engendered by current adversities and problems of political, strategic and economic nature. The hostilities in the Middle East and the energy crisis, the basic conflict between different sets of human values prevalent within the two systems, and indeed, the wisdom of hindsight relating to recent wheat deals, are major elements considered in year-end stock taking. Yet, on balance, there has been a net improvement.

Steven Lazarus, Director of the Commerce Department's Bureau of East-West Trade, comments on the current situation and the future prospects:

"The process of improving East-West relationships in general and East-West trade in particular is not going to be easy. The past decades yield a legacy of distrust and suspicion that will not disappear overnight. Men of goodwill, however, on both sides are working strenuously to see that this policy of negotiation rather than confrontation succeeds. Trade will not automatically yield peace; it may help to produce the conditions for peace. East-West trade is a proposition that must be considered in terms of the period from now to the end of the century. In that time frame I believe that the prospects for success are good.

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U.S. Trade With East Europe, USSR, China

Millions of dollars

Country	U.S. exports to . . .			U.S. imports from . . .		
	1972	Jan.-Oct. 1972	Jan.-Oct. 1973	1972	Jan.-Oct. 1972	Jan.-Oct. 1973
Albania	.2	.2	.0	.5	.4	.4
Bulgaria	3.4	2.0	6.0	2.9	2.5	3.4
Czechoslovakia	49.4	35.2	59.7	28.0	22.6	28.2
East Germany	17.0	11.6	20.0	10.3	8.5	8.9
Hungary	22.6	20.9	28.5	12.7	10.1	12.6
Poland	109.0	80.2	283.9	128.0	116.8	147.2
Romania	69.4	53.9	93.9	32.3	26.8	45.0
Total	271.0	204.6	492.0	214.7	187.7	245.7
USSR	546.8	386.2	1,049.4	95.5	71.6	159.7
China, People's Rep.	60.2	17.8	440.6	32.2	25.7	50.1
Grand Total	878.0	608.0	1,982.0	342.4	285.0	455.5

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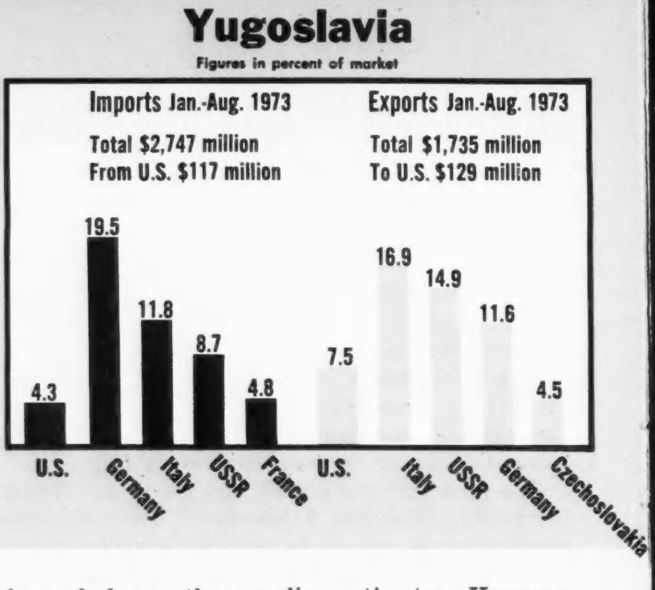

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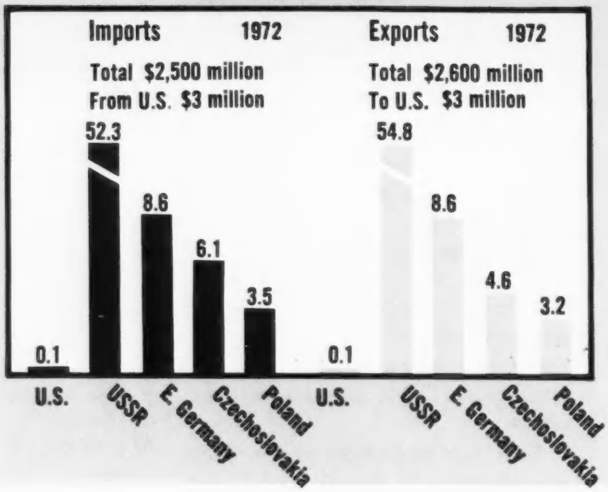
Bulgaria

Flurry Of Official Activity Indicates Interest In Normal Commercial Relations

Bulgaria

Figures in percent of market



U.S. exports to Bulgaria, which doubled in 1973, are expected to continue to grow in 1974. So far the trade volume is low, but the expansion of trade could signal the opening of a new market important to some suppliers. U.S. imports from Bulgaria, which also rose last year, should again show a slight increase.

Mona Levine of the Bureau of East-West Trade attributes the improved trade outlook chiefly to official Bulgarian Government interest in bringing about a normal commercial relationship with the United States. Pending discussions between U.S. firms and Bulgarian organizations on large transactions indicate that U.S. exports should increase by 25 percent during 1974. Although this increase is substantially less than the export growth in 1973, it is significant because U.S. exports had remained static prior to 1972.

Exports double

Cigarettes, iron and steel plates and sheets, dried vegetables and telecommunications equipment head the list of U.S. exports to Bulgaria in 1973. Total exports are projected at $8 million, which is twice the 1972 total. Bulgaria's main sales to the U.S. were of dried fruits, cheese and curd, essential oils and resinoids, and pepper and pimiento. Projected total imports from Bulgaria are $3 million.

Bulgaria's gross national product grew 6.3 percent in 1972 to $13.9 million. Preliminary industrial production figures for 1973 indicate a growth rate of 10.7 percent, which exceeds the planned growth of 9.9 percent in the 1973 annual plan. Preliminary figures on agricultural production indicate a 3.1 percent growth rate in 1973, which is short of the planned goal of 7.4 percent.

Recent Bulgarian Government actions indicate that much emphasis will be placed on improving agricultural development. In the next five to ten years, Bulgaria plans to invest $5 billion in agriculture-related equipment. During a recent Department of Commerce sponsored trade mission for agricultural and irrigation equipment, Bulgarian officials were specifically interested in pumps for irrigation, equipment for livestock raising, machinery for transporting and drying grain, combines, automatic spraying equipment, food processing equipment, poultry raising and processing equipment, and automated tobacco harvesting equipment.

The various trade missions sent to the United States this year gave evidence of Bulgaria's desire to increase trade with this country. These included Bulgarian Minister of Light Industry Stoyan Zhluev, who attended the Textile Machinery Exhibition in Greenville, S. C. in October and the visit later in the month of Deputy Minister of Foreign Trade Peev to meet with officials of a number of large industrial corporations. In addition, Deputy Minister of Foreign Trade Lukanov visited the United States during July and met with U.S. officials to discuss outstanding trade issues between the two countries. He also met with several U.S. businessmen.

BULGARIA's chief imports from U.S.: cigarettes, iron and steel plates and sheets, dried vegetables, telecommunications equipment, pharmaceuticals, non-electric machinery and mechanical appliances.

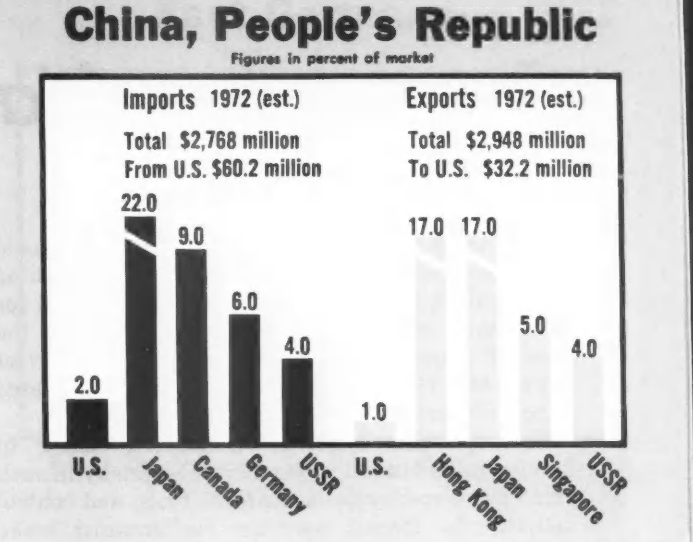
In an effort to improve commercial relations, the U.S. Chamber of Commerce and the Bulgarian Chamber of Commerce and Industry initialed an agreement in Sofia Nov. 2 calling for cooperation between the two organizations. A Bulgarian-U.S. Economic Council was established to stimulate and broaden trade and industrial cooperation between the two countries. Firms interested in joining the Council should contact the U.S. Chamber.

Trade promotion activities in 1973 were highlighted by the "Autolife-USA" exhibit at the 29th Plovdiv International Trade Fair in September, sponsored by USIA and the Department of Commerce. A Business Development Office was established in which 250 catalogs from more than 100 American automotive firms were displayed. More than 150 requests were received for additional information from the U.S. manufacturers.

Another USIA—Commerce exhibit is planned for the 1974 Plovdiv Fair. Additionally, the State of Iowa plans a trade mission featuring agricultural equipment, scheduled for September.

China

Expanding Foreign Trade Offers Opportunities To U.S. Businessmen



The foreign trade of the People's Republic of China (PRC) has increased steadily over the past several years in conjunction with its domestic economy and is expected to expand still further in 1974. China's trade with the United States, however, is expected to increase much more rapidly than its overall foreign trade, according to W. Graham Metson, Jr., of Commerce's Bureau of East-West Trade.

China's new emphasis on expanding its foreign trade, which became evident in 1973, is expected to continue in 1974. The U.S. share should increase more rapidly than general foreign trade, both because of the low base from which U.S.-PRC trade starts, and because of PRC interest in areas where the United States has particular advantages: products of high technology and agricultural goods. Both areas are expected to contribute to an increase in U.S. exports from about $700 million in 1973 to an estimated $1.15 billion in 1974. This contrasts with U.S. exports of $60 million in 1972 and zero in 1971, the first year the trade embargo was lifted.

Farm products dominate

Agricultural products have constituted the bulk of American exports to the PRC and are expected to continue to play the dominant role in 1974. Principal items are wheat, corn, soybeans, and cotton. Nonagricultural products, though a smaller percentage of total exports, are likely to show the fastest growth rate—well over twice the total for 1973. Major components will probably be aircraft, mining equipment, petroleum production and refining equipment, telecommunications, and chemicals. Other kinds of machinery also are expected to be important.

Precise estimates of the relative magnitude and importance of imports are risky because of our lack of long-term experience in the market, but American businessmen are finding that the PRC places a premium on high technology while at the same time negotiating carefully on terms of price and delivery. Those companies which receive invitations to go to China to discuss business proposals find their hosts both well informed of international trends, and willing and able to buy U.S. goods.

The PRC has generally paid cash for its purchases. Although its reserves are not believed to be large (perhaps enough to pay for one-quarter of its present annual imports), the PRC's practice of carefully balancing its trade with non-communist countries on an annual basis gives China a good credit rating. China has refused on policy grounds to finance its purchases on a long-term or medium-term basis or to borrow from foreign governments. Major purchases are usually covered by progress payments. However, recently the PRC has purchased some plants from third countries on deferred payments of five years—considered by them to be commercial terms.

The Bank of China has refused to establish correspondent relations with American banks until the question of PRC assets blocked by the U.S. Government is settled. Instead, the PRC issues letters of credit through the Bank of China, which are usually transmitted through branches of foreign banks. The United States and the PRC are negotiating the linked issues of blocked PRC assets and U.S. private claims for property blocked by the PRC.

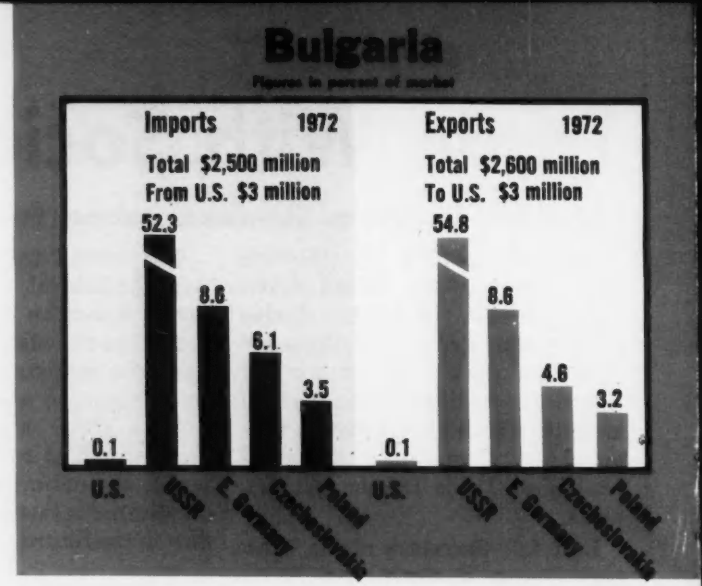
CHINA's chief imports from U.S.: wheat, corn, cotton, civil aircraft and parts, soybean oil, iron and steel scrap, soybeans.

PRC officials frequently refer to the lack of Most-Favored-Nation (MFN) treatment as an impediment to the country's trade with the United States. Lack of MFN treatment raises the price of some commodities which China exports, such as tungsten, above levels acceptable in the United States. The Chinese argue that without better treatment of their imports, trade may not be able to expand in the future. Other problems in U.S.-PRC trade are lack of patent and trademark protection; U.S. labeling requirements for imported goods; and other regulations on the import of products.

Recently board members of the National Council for U.S.-China Trade returned from China after the first visit of American businessmen representing the general interests of U.S. business since the founding of the PRC. Many issues were discussed, with a view to finding solutions for these problems.

Bulgaria

Flurry Of Official Activity Indicates Interest In Normal Commercial Relations



U.S. exports to Bulgaria, which doubled in 1973, are expected to continue to grow in 1974. So far the trade volume is low, but the expansion of trade could signal the opening of a new market important to some suppliers. U.S. imports from Bulgaria, which also rose last year, should again show a slight increase.

Mona Levine of the Bureau of East-West Trade attributes the improved trade outlook chiefly to official Bulgarian Government interest in bringing about a normal commercial relationship with the United States. Pending discussions between U.S. firms and Bulgarian organizations on large transactions indicate that U.S. exports should increase by 25 percent during 1974. Although this increase is substantially less than the export growth in 1973, it is significant because U.S. exports had remained static prior to 1972.

Exports double

Cigarettes, iron and steel plates and sheets, dried vegetables and telecommunications equipment head the list of U.S. exports to Bulgaria in 1973. Total exports are projected at $8 million, which is twice the 1972 total. Bulgaria's main sales to the U.S. were of dried fruits, cheese and curd, essential oils and resinoids, and pepper and pimiento. Projected total imports from Bulgaria are $3 million.

Bulgaria's gross national product grew 6.3 percent in 1972 to $13.9 million. Preliminary industrial production figures for 1973 indicate a growth rate of 10.7 percent, which exceeds the planned growth of 9.9 percent in the 1973 annual plan. Preliminary figures on agricultural production indicate a 3.1 percent growth rate in 1973, which is short of the planned goal of 7.4 percent.

Recent Bulgarian Government actions indicate that much emphasis will be placed on improving agricultural development. In the next five to ten years, Bulgaria plans to invest $5 billion in agriculture-related equipment. During a recent Department of Commerce sponsored trade mission for agricultural and irrigation equipment, Bulgarian officials were specifically interested in pumps for irrigation, equipment for livestock raising, machinery for transporting and drying grain, combines, automatic spraying equipment, food processing equipment, poultry raising and processing equipment, and automated tobacco harvesting equipment.

The various trade missions sent to the United States this year gave evidence of Bulgaria's desire to increase trade with this country. These included Bulgarian Minister of Light Industry Stoyan Zhluev, who attended the Textile Machinery Exhibition in Greenville, S. C. in October and the visit later in the month of Deputy Minister of Foreign Trade Peev to meet with officials of a number of large industrial corporations. In addition, Deputy Minister of Foreign Trade Lukanov visited the United States during July and met with U.S. officials to discuss outstanding trade issues between the two countries. He also met with several U.S. businessmen.

BULGARIA's chief imports from U.S.: cigarettes, iron and steel plates and sheets, dried vegetables, telecommunications equipment, pharmaceuticals, non-electric machinery and mechanical appliances.

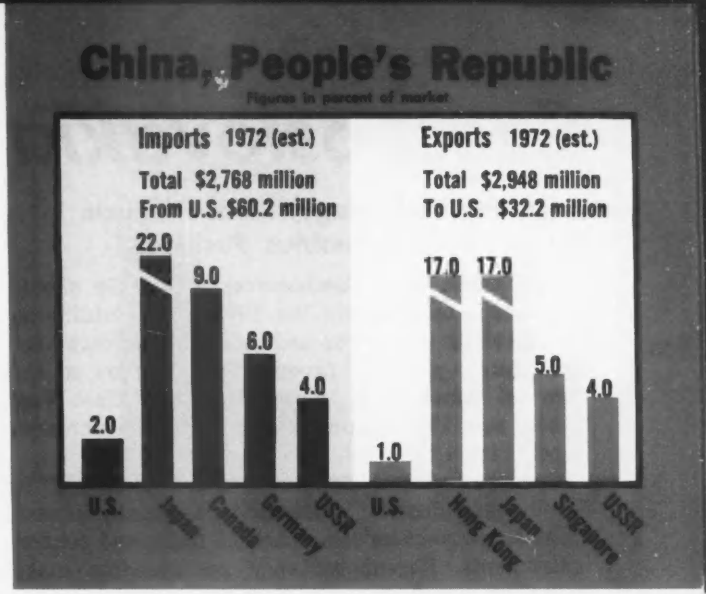
In an effort to improve commercial relations, the U.S. Chamber of Commerce and the Bulgarian Chamber of Commerce and Industry initialed an agreement in Sofia Nov. 2 calling for cooperation between the two organizations. A Bulgarian-U.S. Economic Council was established to stimulate and broaden trade and industrial cooperation between the two countries. Firms interested in joining the Council should contact the U.S. Chamber.

Trade promotion activities in 1973 were highlighted by the "Autolife-USA" exhibit at the 29th Plovdiv International Trade Fair in September, sponsored by USIA and the Department of Commerce. A Business Development Office was established in which 250 catalogs from more than 100 American automotive firms were displayed. More than 150 requests were received for additional information from the U.S. manufacturers.

Another USIA—Commerce exhibit is planned for the 1974 Plovdiv Fair. Additionally, the State of Iowa plans a trade mission featuring agricultural equipment, scheduled for September.

China

Expanding Foreign Trade Offers Opportunities To U.S. Businessmen



The foreign trade of the People's Republic of China (PRC) has increased steadily over the past several years in conjunction with its domestic economy and is expected to expand still further in 1974. China's trade with the United States, however, is expected to increase much more rapidly than its overall foreign trade, according to W. Graham Metson, Jr., of Commerce's Bureau of East-West Trade.

China's new emphasis on expanding its foreign trade, which became evident in 1973, is expected to continue in 1974. The U.S. share should increase more rapidly than general foreign trade, both because of the low base from which U.S.-PRC trade starts, and because of PRC interest in areas where the United States has particular advantages: products of high technology and agricultural goods. Both areas are expected to contribute to an increase in U.S. exports from about $700 million in 1973 to an estimated $1.15 billion in 1974. This contrasts with U.S. exports of $60 million in 1972 and zero in 1971, the first year the trade embargo was lifted.

Farm products dominate

Agricultural products have constituted the bulk of American exports to the PRC and are expected to continue to play the dominant role in 1974. Principal items are wheat, corn, soybeans, and cotton. Nonagricultural products, though a smaller percentage of total exports, are likely to show the fastest growth rate—well over twice the total for 1973. Major components will probably be aircraft, mining equipment, petroleum production and refining equipment, telecommunications, and chemicals. Other kinds of machinery also are expected to be important.

Precise estimates of the relative magnitude and importance of imports are risky because of our lack of long-term experience in the market, but American businessmen are finding that the PRC places a premium on high technology while at the same time negotiating carefully on terms of price and delivery. Those companies which receive invitations to go to China to discuss business proposals find their hosts both well informed of international trends, and willing and able to buy U.S. goods.

The PRC has generally paid cash for its purchases. Although its reserves are not believed to be large (perhaps enough to pay for one-quarter of its present annual imports), the PRC's practice of carefully balancing its trade with noncommunist countries on an annual basis gives China a good credit rating. China has refused on policy grounds to finance its purchases on a long-term or medium-term basis or to borrow from foreign governments. Major purchases are usually covered by progress payments. However, recently the PRC has purchased some plants from third countries on deferred payments of five years—considered by them to be commercial terms.

The Bank of China has refused to establish correspondent relations with American banks until the question of PRC assets blocked by the U.S. Government is settled. Instead, the PRC issues letters of credit through the Bank of China, which are usually transmitted through branches of foreign banks. The United States and the PRC are negotiating the linked issues of blocked PRC assets and U.S. private claims for property blocked by the PRC.

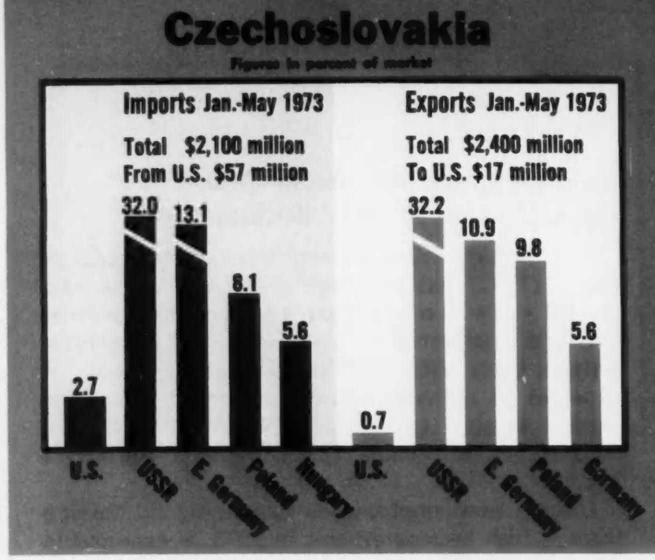
CHINA's chief imports from U.S.: wheat, corn, cotton, civil aircraft and parts, soybean oil, iron and steel scrap, soybeans.

PRC officials frequently refer to the lack of Most-Favored-Nation (MFN) treatment as an impediment to the country's trade with the United States. Lack of MFN treatment raises the price of some commodities which China exports, such as tungsten, above levels acceptable in the United States. The Chinese argue that without better treatment of their imports, trade may not be able to expand in the future. Other problems in U.S.-PRC trade are lack of patent and trademark protection; U.S. labeling requirements for imported goods; and other regulations on the import of products.

Recently board members of the National Council for U.S.-China Trade returned from China after the first visit of American businessmen representing the general interests of U.S. business since the founding of the PRC. Many issues were discussed, with a view to finding solutions for these problems.

Czechoslovakia

Need For Technology, Farm Products Favors U.S. Competitive Position



U.S. trade with Czechoslovakia in 1974 should rise moderately beyond the 1973 level. Continuing Czechoslovak interest in technology and demand for agricultural products favors U.S. suppliers in the view of James Ellis of the Bureau of East-West Trade, and 1974 planning goals call for increased imports from the West.

Czechoslovakia looks to Western licensing to develop its industrial productivity, especially in such areas as petro-chemicals, machine tools, and control instruments. Recent currency realignments make American products and licenses more competitive.

U.S. exports of soybean meal, a leading commodity in U.S.-Czechoslovak trade over the past few years, should continue because of a lack of available substitutes for protein-rich livestock feeds.

Five-fold increase

U.S. trade with Czechoslovakia in 1973 was up markedly over previous years. Estimated U.S. exports to Czechoslovakia of \$85-\$105 million represent a five-fold increase over the 1970 figure, and a doubling of the U.S. share in total Czechoslovak imports over the 1972 level. According to preliminary data, the United States in 1973 became Czechoslovakia's principal Western supplier after West Germany.

Czechoslovakia increased trade by about 25 percent with the industrialized West in 1973 and plans to do it again in 1974. It will seek to expand industrial cooperation projects and joint commercial activities with the West, although there will be no possibilities for direct investment in Czechoslovakia.

Czechoslovakia's expansion of trade with the West will be accompanied by a growth of commercial relations with the East European members of the Council for Mutual Economic Assistance (CMEA), including the Soviet Union. In addition, Czechoslovakia may turn to the USSR and other East European countries for an increasing number of engineering product imports.

In the past, trade with the West has been limited to products not available in similar quality from the CMEA area. This principle is likely to be adhered to even more strictly in the year ahead because Czechoslovakia has accumulated a high trade surplus with the CMEA area which it wants to reduce. Nonetheless, the Czechoslovak demand for Western capital goods remains strong, and the supply of available hard currency is believed to be better than it was a year ago.

Housing construction and energy production are to be given special emphasis under the 1974 plan. A number of long-term planned projects may present special opportunities for foreign businessmen. Among them are the installation of a new \$1.3 billion cold-rolling steel mill at Frydek-Mistek, and modernization of an existing hot rolling mill. Planned production of a twelve-ton, air-cooled Tatra truck for sale throughout the CMEA area may also present limited opportunities for foreign participation; the volume of production is to be 15,000 trucks annually by 1980, at an investment cost approaching \$1 billion. In addition, Czechoslovakia plans to construct a new Danube harbor in Bratislava with an annual turnover of more than five million metric tons.

A new attitude of the Czechoslovak Government toward seeking two- to five-year credits in the purchase of capital goods may give an advantage to U.S. firms which offer credits at nominal rates.

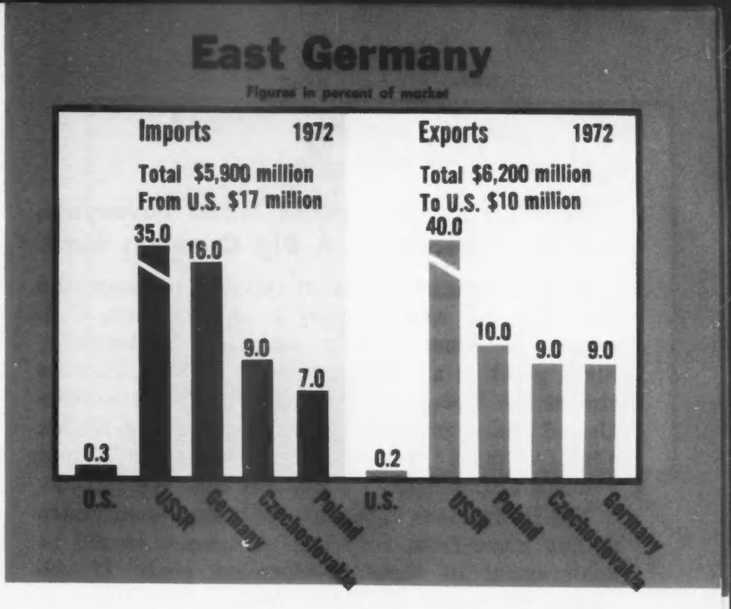
Although agriculture is reported to have fulfilled its planned goal in 1973 of providing for the growth of consumption of basic foodstuffs from domestic production, Czechoslovakia remains a net importer of foodstuffs. It should continue to be a good market for agricultural goods.

U.S. Government trade promotion efforts in Czechoslovakia in 1974 will include organization of an exhibition at the September Brno Engineering Fair and a number of specialized trade missions. Firms interested in participating should communicate with the Trade Promotion Division of the Commerce Department's Bureau of East-West Trade (202-967-4161).

CZECHOSLOVAKIA's chief imports from U.S.: soybean meal, cattle hides, unmilled wheat and corn, raw tobacco, electronic measuring and controlling apparatus, office machines and parts.

East Germany

Significant Trade Gains Will Depend On Improved Political Relationship



U.S. trade with East Germany during 1974 should increase modestly over the anticipated 1973 level. Over the first ten months of 1973 the value of U.S. exports reached $20 million, compared to a total of only $17 million for all of 1972. Two-way U.S. trade with East Germany through October totaled $28.9 million, reports Michael Hutchinson of the Bureau of East-West Trade.

U.S. exports to East Germany from year-to-year are always predominantly agricultural. For example, from January through October soybean meal and wheat accounted for about three-quarters of total U.S. exports to the country. Current indications are that U.S. corn and soybean product shipments to East Germany will be relatively substantial through the middle of 1974. Some wheat shipments are also expected.

East Germany's heavy buying from, and negative trade balance with, the industrial West from 1970-72 should not significantly affect the already extremely small value of U.S. non-agricultural exports to the country.

East Germany's growth accelerated somewhat in 1972 with GNP rising better than five percent to about $44 billion. GNP should reach $47 billion in 1973 and $50 billion in 1974.

Trade potential

East Germany, as one of the 15 largest economies in the world, represents a great potential market for U.S. products. Tapping this potential, however, is largely contingent upon improved political relations between the two countries. Possible establishment of diplomatic relations during 1974 could give significant impetus to mutual trade, despite East Germany's well-established trade patterns with countries of both East and West.

East Germany has expressed interest in buying advanced technology or equipment in such fields as petroleum engineering, data processing, chemical engineering, factory-sized textile production equipment, microminiature electronic components, and control and measuring instrumentation. It has also expressed interest in plants for processing wood pulp, asbestos, and phosphorus and in assistance in energy and basic raw material production processes.

Economic sectors to be emphasized, which may also include opportunities for U.S. exporters, include housing construction (both industrial and private), medical equipment, livestock processing installations, motor vehicle maintenance facilities, technologies for purification of industrial wastewater, industrial noise abatement technology, and consumer products.

Doing business with East Germany is similar to trading with the other centrally-planned economies of Eastern Europe. Direct contact with end-users is generally not permitted and most business is done through the foreign trade organizations. Contract negotiations can be long and difficult, and unusual patience may be required. Once an initial purchase or sale has been made however, a Western firm may expect a continuing profitable business relationship.

EAST GERMANY's chief imports from U.S.: soybean meal, wheat, lemons, electrical carbon steel sheets, materials handling equipment, cattle hides.

Fairs, exhibits, seminars

The U.S. Government does not currently sponsor trade promotional projects in East Germany. The major forum for the exhibition of goods in the country remains the semiannual Leipzig Fair. The Spring Fair has traditionally been the larger of the two events and has tended to concentrate on industrial goods while the Fall Fair, until recently, has been devoted primarily to consumer goods. Applications for participation in either Fair generally must be submitted at least a year in advance to the Leipzig Fair Administration, Marktstrasse 11-15, Leipzig.

The American Chamber of Commerce in Germany is sponsoring a two-day seminar March 7-8 in West Berlin on trading with East Germany. The seminar, specifically designed for new-to-market firms based in the United States, will cover establishment of contacts, executing transactions, financing, and legal aspects. The cost is about $150. Interested U.S. firms should communicate with Robert Lochner, Berlin Representative, American Chamber of Commerce in Germany, 1 Berlin 12, Fasanenstrasse 4.

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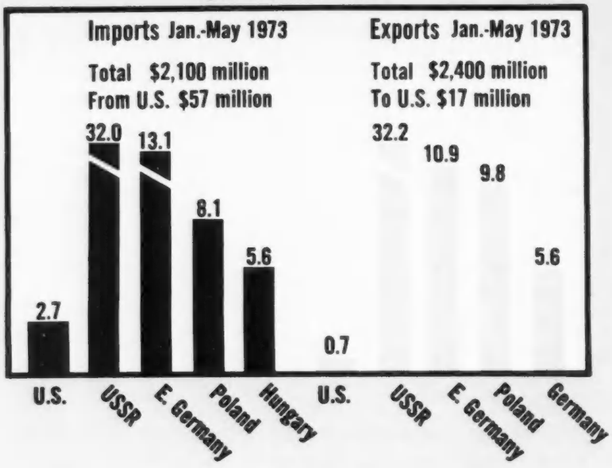

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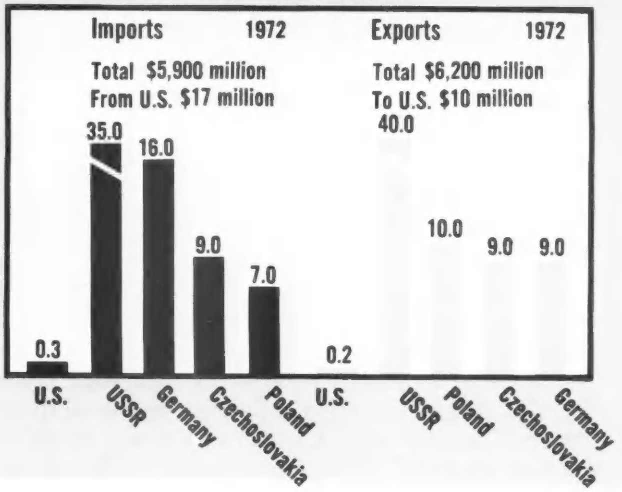

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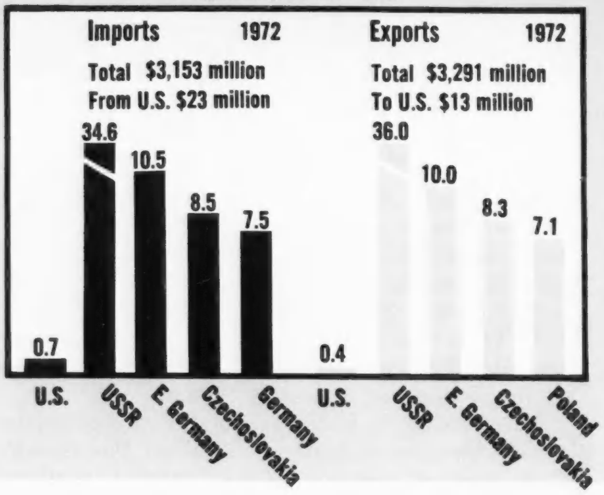
Hungary

Conditions For Expanded Trade Favorable, But MFN Treatment A Big Question Mark

Hungary

Figures in percent of market



With the improvement in relations between the United States and Hungary in recent years, U.S. exports to Hungary have expanded substantially. Signs point to a further increase in 1974, but the size of the increase will depend upon whether the United States grants Hungary Most-Favored-Nation (MFN) tariff treatment, according to James Treichel of Commerce's Bureau of East-West Trade.

The Hungarians have repeatedly expressed desire to buy more from American companies to aid in achievement of their development goals. If the United States accords MFN treatment to Hungary, a significant increase in sales of U.S. goods could be expected. Failure to resolve the MFN issue, however, could have a dampening effect on the growth of U.S. exports.

GNP gains

For the first eleven months of 1973 Hungary's GNP grew by 6 percent, more than the planned rate of growth. The 1972 GNP was $17.7 billion figured in 1971 dollars, an increase of 6 percent over 1971. For 1974 a growth rate in the range of 4.5 percent is envisioned.

Following serious trade deficits in 1970 and 1971, Hungary substantially increased exports to the West and the CMEA countries in 1972. Foreign trade performance continued to improve in 1973 and the Hungarians were expecting to have a surplus in their trade with the convertible area for the first time in several years.

The 1974 outlook is for continued expansion of Hungarian exports and for a parallel increase in imports of high technology items and selected agricultural products from the West. At the same time, the Hungarian Government has told its producing enterprises to buy more machinery from CMEA sources to use up trade surpluses which have accumulated. This may divert some industrial purchases from Western to Eastern sources.

In general, however, Western businessmen assess the current prospects in Hungary as very good. The increase in hard currency exports, plus last year's record grain harvest, have put Hungary in better financial shape than in several years. Moreover, selective and successful use by the Hungarians of international money markets has enhanced ability to buy from the West.

In addition, the Hungarian Government, in conjunction with its economic reform program, has taken steps to improve the climate for Western firms in Hungary.

Hungary and the United States have not been traditional trading partners, but with the improvement of the international situation and efforts on both sides to improve relations, bilateral trade has increased to a present level of about $45 million. The Hungarians have been substantial purchasers of agricultural commodities from the United States and they have made considerable use of American know-how in the agricultural field. In recent years they have also expressed greater interest in U.S. industrial technology.

HUNGARY's chief imports from U.S.: industrial machinery, feedstuff for animals, chemicals, hides and skins, electrical machinery, non-metallic mineral manufactures.

The devaluations of the dollar, along with inflation in Western Europe, have combined to put American products in a favorable price position. Thus, in terms of price and quality, U.S. companies have a good deal to offer the Hungarians.

With respect to sales prospects, Western businessmen are already looking to 1976 when the new five-year plan will go into effect. Work on the new plan is presently under way and substantial resources will most likely be devoted to expansion of a number of industries, including fertilizer and plastics, as well as pipe and cable production.

In addition, the Hungarian Government has already begun a long-term program of modernization at several enterprises which make buses, trucks, automotive spare parts, elevators and cranes.

There will probably continue to be good opportunities for sales in data processing and other electronic equipment.

During 1974 a number of trade promotion events are scheduled to be held in Hungary, including an executive trade mission. U.S. companies interested in participating in one of these events should contact the Trade Promotion Division, Bureau of East-West Trade, Department of Commerce, Washington, D.C. 20230.

Poland

Another Record Year For U.S. Sales Seen; Opportunities For Trade, Cooperation

This should be another record-breaking year for U.S. exports to Poland, with continued favorable balance in our trade expected, according to Susanne S. Lotarski, of Commerce's Bureau of East-West Trade.

U.S. exports to Poland in the first ten months of 1973 totaled $284 million, an increase of 254 percent over the same period of 1972. For the first time since 1965, the United States achieved a trade surplus of $150 million, and its share of Poland's imports rose from 2 percent to almost 4 percent.

Poland

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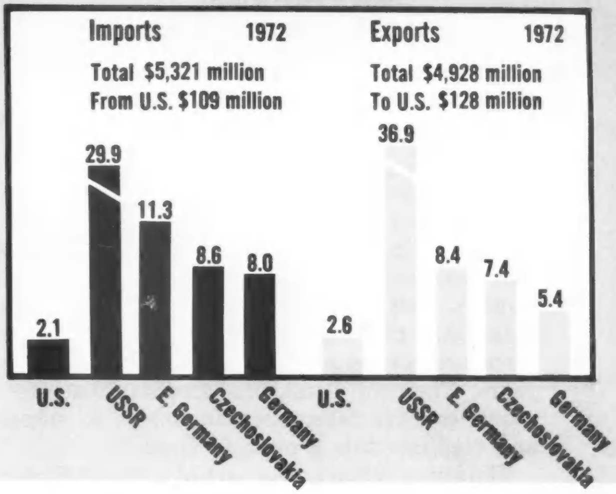

During 1973, U.S. firms won a number of large contracts to provide whole plants and industrial equipment to Poland. Deliveries from these contracts will contribute to the growth of U.S. exports, which are expected to reach at least $450 million in 1974.

Factors encouraging trade expansion include Poland's high industrial growth rate and the important role which has been assigned to imports in the plans for modernizing the Polish economy.

Expansion plans

Poland's economic plan for 1974 calls for an 11 percent increase in industrial production, roughly the same rate as achieved in 1973. Several fields, such as electrical engineering and chemicals, have been singled out for above average growth. Some 27 percent of national income is being earmarked for investment outlays, and preference in allocation is being given to the coal mining, power, steel, oil refining, electronics, electrical engineering, and precision instruments industries. Increased investments and gains in production are also slated for agriculture, construction, and transportation.

Prospects for fulfillment of the plan are unusually favorable. The ambitious plans for the preceding three years were fulfilled, and even overfulfilled in some areas, so that the goals of the 1971-'75 five-year plan are expected to be achieved early in the fifth year.

The 1974 Plan also envisages a 20 percent increase in foreign trade. Poland is particularly interested in concluding long-term production cooperation agreements which can contribute to the modernization of industry and expand export capabilities. Several U.S. firms have already concluded such contracts. Poland is also interested in the purchase of complete plants for such industries as textiles, food processing, metal finishing and machine tools.

In addition to these fields, prospects appear especially good for U.S. products and technology in the following sectors: chemicals and petrochemicals, particularly synthetics; copper extraction; production equipment for the electronics, data-processing and advanced industrial instrumentation industries; marine engine production equipment and technology; construction machinery; specialized agricultural machinery; health care equipment; and automotive services.

Demand for U.S. agricultural products and commodities should continue to be strong.

POLAND's chief imports from U.S.: soybeans and soybean oilcake and meal, wheat, corn, hides, aluminum oxide, cotton.

Bilateral agreements between the United States and Poland and Polish legislation have created a favorable climate for U.S. business activities in Poland.

The U.S. Trade Development Center in Warsaw offers space and assistance for seminars and exhibits, as well as commercial counseling and business services.

Companies interested in using the facilities and services of the Center may write to Harry Kopp, Director, U.S. Trade Development Center, Wiejska 20, 00-490 Warsaw, Poland (telex 813934 ustdo pl) or contact the Bureau of East-West Trade, U.S. Department of Commerce, Washington, D. C. 20230 (202-967-4161).

Several trade promotion events are planned for Poland during the first half of 1974. These include Commerce Department specialized trade missions and seminars on Metal Finishing Equipment, Biomedical Instruments and Equipment, and Industrial Production Quality Controls. At least two industry-organized Government-approved (IOGA) trade missions featuring products of the American Gear Manufacturers Association, and the Packaging Machinery and Materials Industry are also scheduled. The Commerce Department is also supporting U.S. participation in the Poznan International Technical Fair, June 9-18.

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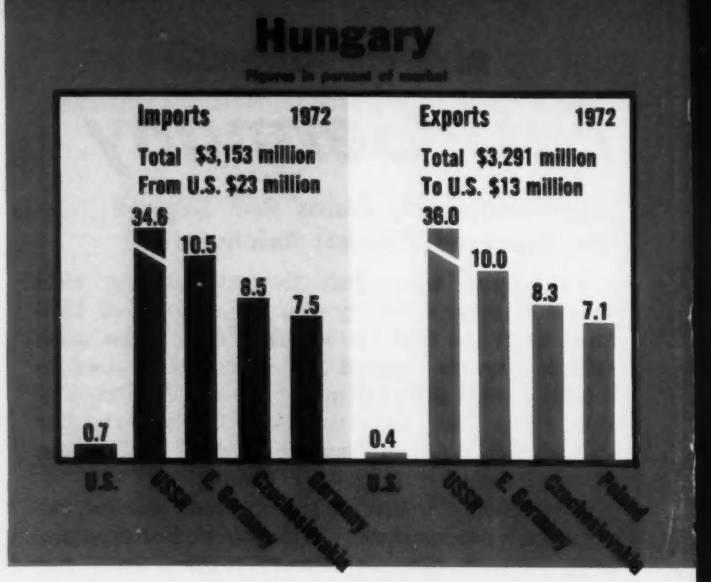

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GNP gains

For the first eleven months of 1973 Hungary's GNP grew by 6 percent, more than the planned rate of growth. The 1972 GNP was $17.7 billion figured in 1971 dollars, an increase of 6 percent over 1971. For 1974 a growth rate in the range of 4.5 percent is envisioned.

Following serious trade deficits in 1970 and 1971, Hungary substantially increased exports to the West and the CMEA countries in 1972. Foreign trade performance continued to improve in 1973 and the Hungarians were expecting to have a surplus in their trade with the convertible area for the first time in several years.

The 1974 outlook is for continued expansion of Hungarian exports and for a parallel increase in imports of high technology items and selected agricultural products from the West. At the same time, the Hungarian Government has told its producing enterprises to buy more machinery from CMEA sources to use up trade surpluses which have accumulated. This may divert some industrial purchases from Western to Eastern sources.

In general, however, Western businessmen assess the current prospects in Hungary as very good. The increase in hard currency exports, plus last year's record grain harvest, have put Hungary in better financial shape than in several years. Moreover, selective and successful use by the Hungarians of international money markets has enhanced ability to buy from the West.

In addition, the Hungarian Government, in conjunction with its economic reform program, has taken steps to improve the climate for Western firms in Hungary.

Hungary and the United States have not been traditional trading partners, but with the improvement of the international situation and efforts on both sides to improve relations, bilateral trade has increased to a present level of about $45 million. The Hungarians have been substantial purchasers of agricultural commodities from the United States and they have made considerable use of American know-how in the agricultural field. In recent years they have also expressed greater interest in U.S. industrial technology.

The devaluations of the dollar, along with inflation in Western Europe, have combined to put American products in a favorable price position. Thus, in terms of price and quality, U.S. companies have a good deal to offer the Hungarians.

With respect to sales prospects, Western businessmen are already looking to 1976 when the new five-year plan will go into effect. Work on the new plan is presently under way and substantial resources will most likely be devoted to expansion of a number of industries, including fertilizer and plastics, as well as pipe and cable production.

In addition, the Hungarian Government has already begun a long-term program of modernization at several enterprises which make buses, trucks, automotive spare parts, elevators and cranes.

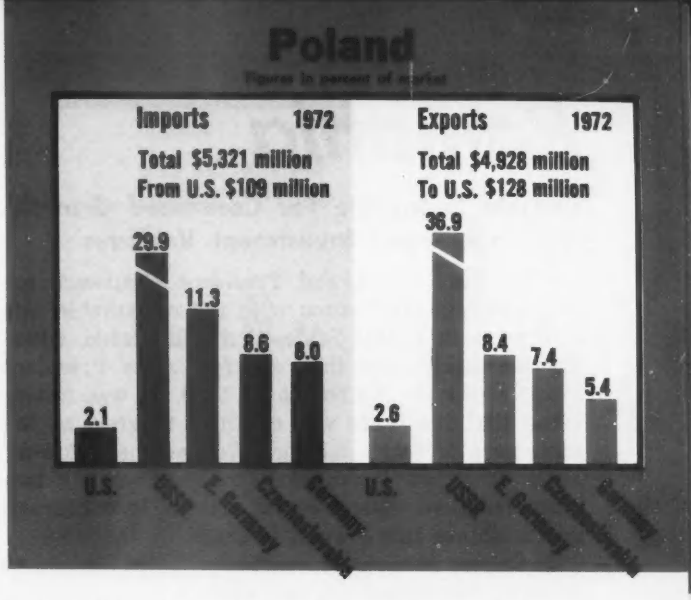
There will probably continue to be good opportunities for sales in data processing and other electronic equipment.

During 1974 a number of trade promotion events are scheduled to be held in Hungary, including an executive trade mission. U.S. companies interested in participating in one of these events should contact the Trade Promotion Division, Bureau of East-West Trade, Department of Commerce, Washington, D.C. 20230.

HUNGARY's chief imports from U.S.: industrial machinery, feedstuff for animals, chemicals, hides and skins, electrical machinery, non-metallic mineral manufactures.

Poland

Another Record Year For U.S. Sales Seen; Opportunities For Trade, Cooperation



This should be another record-breaking year for U.S. exports to Poland, with continued favorable balance in our trade expected, according to Susanne S. Lotarski, of Commerce's Bureau of East-West Trade.

U.S. exports to Poland in the first ten months of 1973 totaled $284 million, an increase of 254 percent over the same period of 1972. For the first time since 1965, the United States achieved a trade surplus of $150 million, and its share of Poland's imports rose from 2 percent to almost 4 percent.

During 1973, U.S. firms won a number of large contracts to provide whole plants and industrial equipment to Poland. Deliveries from these contracts will contribute to the growth of U.S. exports, which are expected to reach at least $450 million in 1974.

Factors encouraging trade expansion include Poland's high industrial growth rate and the important role which has been assigned to imports in the plans for modernizing the Polish economy.

Expansion plans

Poland's economic plan for 1974 calls for an 11 percent increase in industrial production, roughly the same rate as achieved in 1973. Several fields, such as electrical engineering and chemicals, have been singled out for above average growth. Some 27 percent of national income is being earmarked for investment outlays, and preference in allocation is being given to the coal mining, power, steel, oil refining, electronics, electrical engineering, and precision instruments industries. Increased investments and gains in production are also slated for agriculture, construction, and transportation.

Prospects for fulfillment of the plan are unusually favorable. The ambitious plans for the preceding three years were fulfilled, and even overfulfilled in some areas, so that the goals of the 1971-'75 five-year plan are expected to be achieved early in the fifth year.

The 1974 Plan also envisages a 20 percent increase in foreign trade. Poland is particularly interested in concluding long-term production cooperation agreements which can contribute to the modernization of industry and expand export capabilities. Several U.S. firms have already concluded such contracts. Poland is also interested in the purchase of complete plants for such industries as textiles, food processing, metal finishing and machine tools.

In addition to these fields, prospects appear especially good for U.S. products and technology in the following sectors: chemicals and petrochemicals, particularly synthetics; copper extraction; production equipment for the electronics, data-processing and advanced industrial instrumentation industries; marine engine production equipment and technology; construction machinery; specialized agricultural machinery; health care equipment; and automotive services.

Demand for U.S. agricultural products and commodities should continue to be strong.

POLAND's chief imports from U.S.: soybeans and soybean oilcake and meal, wheat, corn, hides, aluminum oxide, cotton.

Bilateral agreements between the United States and Poland and Polish legislation have created a favorable climate for U.S. business activities in Poland.

The U.S. Trade Development Center in Warsaw offers space and assistance for seminars and exhibits, as well as commercial counseling and business services.

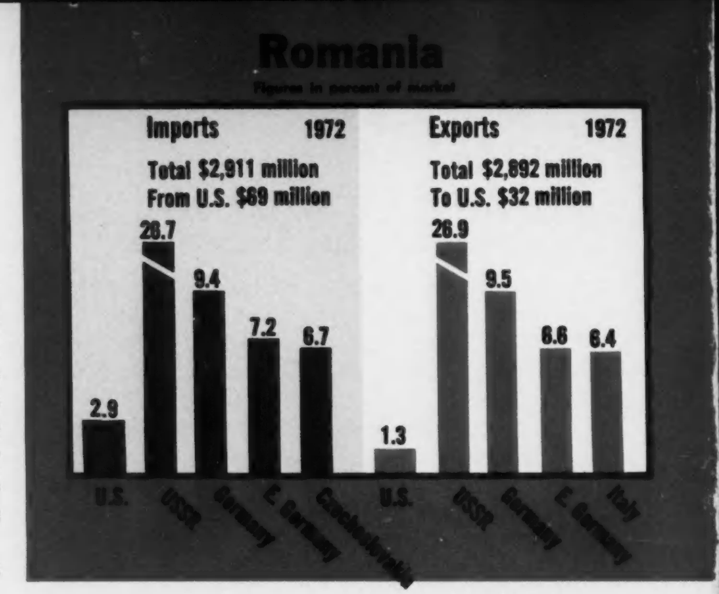
Companies interested in using the facilities and services of the Center may write to Harry Kopp, Director, U.S. Trade Development Center, Wiejska 20, 00-490 Warsaw, Poland (telex 813934 ustdo pl) or contact the Bureau of East-West Trade, U.S. Department of Commerce, Washington, D. C. 20230 (202-967-4161).

Several trade promotion events are planned for Poland during the first half of 1974. These include Commerce Department specialized trade missions and seminars on Metal Finishing Equipment, Biomedical Instruments and Equipment, and Industrial Production Quality Controls. At least two industry-organized Government-approved (IOGA) trade missions featuring products of the American Gear Manufacturers Association, and the Packaging Machinery and Materials Industry are also scheduled. The Commerce Department is also supporting U.S. participation in the Poznan International Technical Fair, June 9-18.

Romania

Climate Favorable For Continued Growth Of Trade, Joint Investment Ventures

"President Nixon and President Ceausescu expressed their satisfaction with the remarkable rate of growth in United States-Romanian trade, which has increased more than fourfold since President Nixon's visit to Bucharest in 1969. It was anticipated that the trade will continue to grow at the same pace or better during 1974 and the following years. The two Presidents stressed that the two countries have taken several actions to encourage and facilitate this growth in trade."



The above remarks are part of a "Joint Statement on Economic, Industrial, and Technological Cooperation" issued by the two countries during the visit to the United States last month of Romanian President Nicolae Ceausescu (see *Commerce Today*, Dec. 24). A major purpose of the trip was to promote trade and investment through discussions on economic topics with government leaders and visits with American businessmen, according to Ralph Edwards of Commerce's Bureau of East-West Trade, who has prepared this outlook article.

Total trade turnover, expected to reach $160 million for 1973, should exceed the $200 million mark in 1974. U.S. exports will total at least $140 million in value, while sales of Romanian products to the United States should be in the range of $60-70 million.

U.S. exports, assisted by Eximbank financing, will continue to grow in view of import commitments made by Romania in several large contracts signed last year for delivery in 1974. These include purchases of jet aircraft and tire plant equipment.

The increase in U.S. exports of capital equipment may be offset somewhat by a slowdown in sales of cotton and agricultural products. This will be the likely result of a tight domestic supply situation and suspension of Commodity Credit Corporation (CCC) credits.

Other factors encouraging U.S. export growth include Romania's high industrial growth rate, ambitious development plans, Western trade orientation, and strong respect for U.S. technology. Another constraint on growth of trade is Romania's continuing heavy burden of hard-currency indebtedness.

Both countries also promised in the Economic Cooperation Statement to facilitate formation of joint companies. (One U.S.-Romanian joint venture was established last year with Control Data Corp. described in *Commerce Today*, June 11.) Romania permits 49 percent foreign ownership and the United States makes investment guaranties available through OPIC.

Romania's policy of rapid industrialization will provide important opportunities for U.S. exporters of capital goods. Production efforts have been speeded up because of a government effort to complete the 1971-'75 Development Plan ahead of schedule. The Plan places special emphasis on growth in mining, chemicals and petrochemicals, lumber, building materials, electric power, iron and steel.

Major projects are planned that will mean large-scale construction of new facilities in the areas of electronics, machine tools, and steel production. American firms interested in selling, licensing, or co-producing equipment or technology for these projects may obtain detailed specifications from the Commerce Department's Bureau of East-West Trade.

Among bidders

U.S. companies are prominent among the bidders on pending sales and co-production transactions involving helicopters and medium-range jet aircraft, while another U.S. firm is discussing a joint venture to manufacture diesel engines.

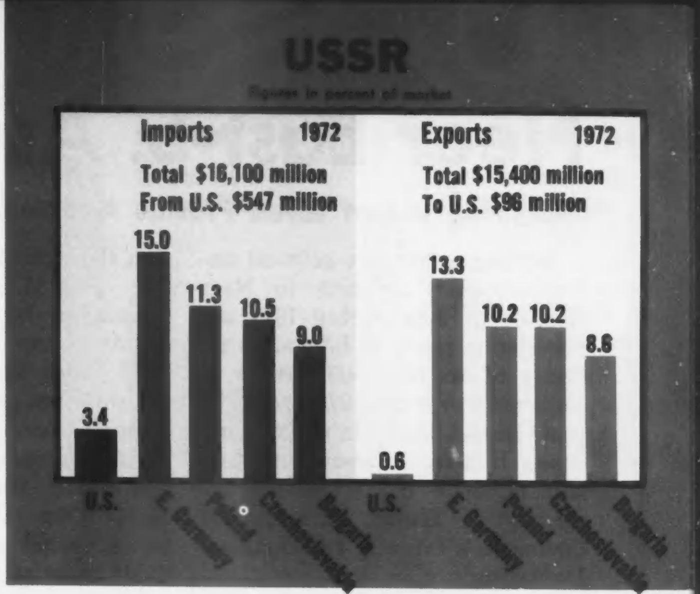
The Commerce Department will continue to sponsor an active program of trade promotion activities in Romania. Specialized trade missions are planned or proposed in Metal Finishing Equipment (February) and Hospital/Medical Equipment (June).

A new customs tariff schedule went into effect on Jan. 1. Tariff rates on finished products and equipment are fairly high (40-50 percent ad valorem), while duties on raw materials are generally lower. Romania has published only one column of duty rates, thereby not imposing higher duties on countries not extending Most-Favored-Nation tariff treatment to Romania.

ROMANIA's chief imports from U.S.: oilseedcake and meal, cattle hides, raw cotton, corn and barley, tinplate, chemical woodpulp.

USSR

Drop In USSR Grain Buying Seen Partly Offset By Rise In Equipment Orders



The upbeat U.S.-Soviet trade figures for 1973 belie the emergence of a somewhat more cloudy picture for 1974, according to John Kadilis, of Commerce's Bureau of East-West Trade. While U.S. imports from the USSR are likely to grow this year, the total value of U.S. exports probably will decrease because the expected drop in agricultural sales will be only partially offset by rising sales of machinery and equipment. Long-term prospects for U.S.-Soviet trade remain generally good.

The rapid growth of U.S. trade with the USSR is the direct result of improvement in overall U.S.-Soviet relations. U.S.-USSR trade turnover in 1973 is estimated at $1.4-1.6 billion (more than double that in 1972), with the trade balance running about 7 to 1 in our favor. Eximbank financing has provided an important stimulus for the expansion of U.S. exports. Fourteen American firms have been accredited by the Soviet Government to open offices in Moscow—an indication of the rapid growth in U.S.-Soviet trade. The projected spring opening of a U.S. Government Commercial Office in Moscow and creation of the U.S.-USSR Trade and Economic Council in the private sector will increase services available to U.S. business and facilitate its access to the Soviet market.

Three major factors becloud the U.S.-Soviet trade picture for 1974:

- Legislation passed by the House Dec. 11 would make the USSR ineligible to receive Most-Favored-Nation (MFN) treatment and Eximbank credits, pending a change in the Soviet emigration situation. Should this provision become law, the effects on U.S. sales would likely be negative—particularly as regards large, credit-consuming projects.

- The 1973 record grain harvest in the USSR can be expected to have a decelerating effect on U.S. agricultural exports, which accounted for about 80 percent of U.S. exports to the USSR last year. Sales of wheat, the major export item ($505.7 million as of September), may decrease considerably. However, the existence of certain export commitments and the continued Soviet need for feed grains should assure a substantial volume of U.S. agricultural exports to that country in 1974.

- The USSR has borrowed heavily and resumed substantial gold sales to cover its hard-currency deficits, which may reach the $2 billion mark in 1973. Moscow also will have to find solutions to a more long-term hard-currency balance-of-payments problem resulting from a slow growth of exports and rapidly rising debt service payments (expected to equal about 25 percent of export earnings in 1973). One Soviet approach to this problem has been to seek joint industrial projects with Western countries with repayment for credits at least partially in product.

The Soviet economy appears to be in the midst of a recovery from the relatively slow growth in 1971-72. GNP growth in 1973 is estimated at 6.3 percent, up from an average of 3 percent in 1971-72. Farm output is likely to set a record in 1973, going from an estimated 7 percent decrease in 1972 to an estimated 9 percent increase. The predicted industrial growth level for 1973 is 7.3 percent, although industry is still troubled by shortages of agricultural raw materials and lags in construction of new capacity.

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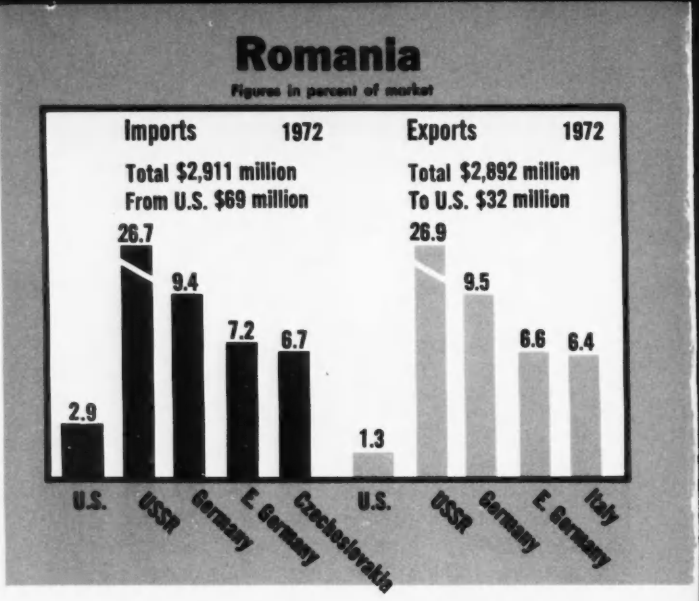

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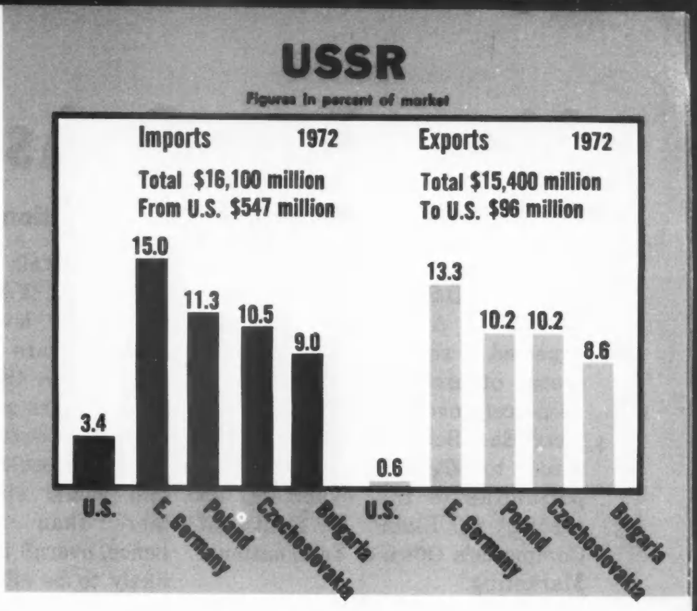

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Near East-S. Asia Market Grows

Expanding Import Levels Provide Additional Opportunities For U.S. Exports

Barring unforeseen political disruptions, U.S. exports to Near East-South Asia during 1974 are expected to reach $4 billion, an increase of around $500 million or 15 percent over the 1973 level. The Near East-South Asia market continues to offer unprecedented opportunities to U.S. exporters, according to Elaine D. Smith of Commerce's Office of International Marketing.

Obviously, the recent Arab-Israeli conflict has put a strain on our economic as well as political relations with Arab states. It is too early to assess long-term impacts of this conflict or of the Arab oil embargo to the United States on our overall commercial relationship with this part of the world.

While any forecast, given the current political situation, must be tentative, as of late December it appears that the impact of the political situation in general and of Arab oil policy in particular on overall U.S. sales to the area will be marginal. Some U.S. sales may be lost in the Arab world as a result of resentment of U.S. Mideast policy, or because competitors, such as the Western Europeans and Japanese, have capitalized on this atmosphere.

Higher import potential

As in the past, greatest U.S. export gains in the Near East-South Asia area will be registered in sales to the oil producing countries of the Persian Gulf ($115 million projected for Arab countries in 1974; $145 million for Iran) where ambitious development plans are under way and billions of dollars in revenues will accrue as a result of agreements for higher oil prices.

These new prices, in some cases several times 1972 levels, will increase export earnings so sharply that the totals boggle the imagination. Even if the current reduced production levels of some Arab countries are continued through 1974, given the new price levels, the revenues generated would still be well in excess of these governments' capacities to spend them and would simply add to their more than adequate reserves; hence, overall import growth is not likely to be affected significantly.

Israel, with its high import demand, remains a very promising market for U.S. goods. The United States is Israel's chief supplier and it is believed that, particularly at the present time, U.S. exporters can benefit from favorable Israeli sentiment toward the United States for its assistance during the recent conflict. Turkey's import levels should increase substantially during 1974, but the U.S. incremental share will be modest.

The largest U.S. export increase in the area is projected for Iran, where revenues are increasing dramatically with current oil production 17 percent higher than a year ago and prices more than double. Moreover, Iranian imports of capital goods are increasing by more than 35 percent per year and currency alignments of the past twelve months have placed U.S. suppliers in an excellent position to take advantage of this import demand. A U.S. Trade Center, opened in Iran in November, is promoting and coordinating U.S. export activities in this phenomenal market.

In the South Asian subcontinent, unlike a year ago, improved economic conditions are enabling these countries to finance (primarily from foreign sources) sharply higher import levels. The United States is expected to maintain its prominent position in this expanding market.

There is a high regard for the quality of U.S. goods. The strengthened U.S. competitive position of the past six months, brought about in part by the two dollar devaluations, should continue if U.S. export prices hold. Because many of the governments of the area, especially in the oil-producing nations, are budgeting expenditures of a large magnitude to implement development programs of impressive scope, American firms or consortia offering complete development packages continue to be in an advantageous position.

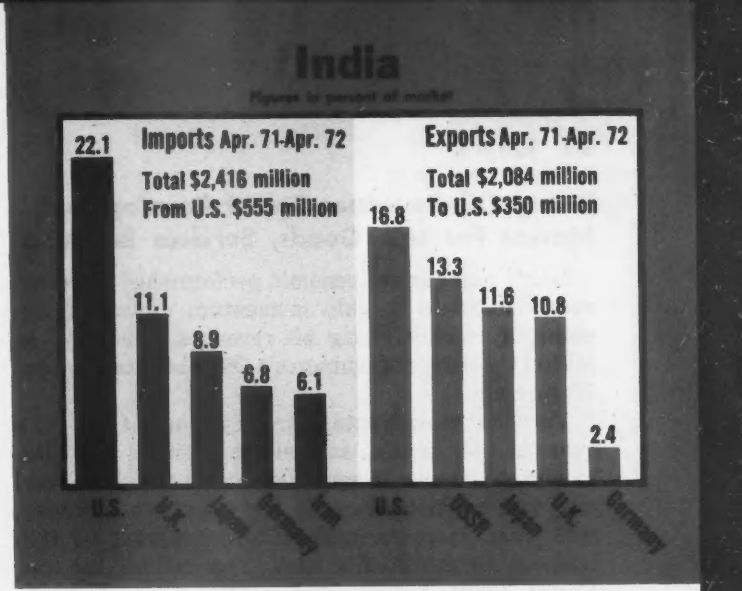
A problem which is virtually endemic throughout the Near East-South Asia area is inflation, which in some cases has made deep inroads into development gains. Various anti-inflation measures are being applied, especially in the fiscal field, but they have met with only moderate success.

In the articles that follow, individual trade outlooks for selected countries in the area are presented which illustrate the above trends.

A few general statements about U.S. exports and trade during 1973 with four additional countries of the area, Egypt, Iraq, Syria and Jordan, should be noted. The increase in the level of U.S. exports to Egypt and Iraq, with whom the United States did not have diplomatic relations (re-established with Egypt in November), was more than 50 percent, and infrastructure contracts of large magnitude were concluded by U.S. firms in these countries. Of Egypt's $196 million in U.S. imports from January-October 1973, $55 million were in U.S. commercial aircraft sales. U.S. exports to Syria registered an encouraging increment of 10 percent and to Jordan 31 percent, the latter due in large part to special category exports.

India

Substantial Import Increase Seen Likely As Economy Revives From Recent Droughts



The outlook for continued expansion of U.S. sales to India is bright. Such exports jumped 43 percent during the first 10 months of 1973 over the same period of 1972, and will rise an estimated 26 percent in 1974, predicts Claude L. Clement of Commerce's Office of International Marketing.

Despite the end of significant U.S. Agency for International Development lending to India, prospects for a continuation of this favorable trade pattern have been strengthened by a number of developments. The Indian economy is reviving after two years of drought, and plentiful water supplies brought by last summer's monsoon will benefit both agricultural output and power generation.

U.S. goods in demand

The increase of 48 percent in commercially-financed U.S. exports to India during fiscal 1972-'73 shows a strong demand for U.S. goods. India's foreign exchange position is relatively comfortable, with reserves totaling $1.3 billion at the end of October.

Because of the unusually good monsoon, prospects are for a record foodgrain harvest in 1973-'74. The outlook is also promising for commercial crops, thanks to adequate irrigation and more hydro-generated electricity for pump operation. Production of sugar and especially peanuts and cotton are expected to be higher. Despite competition from Bangladesh, the outlook for jute is also favorable.

However, industrial growth during 1973-'74 will be substantially lower than the 7 percent achieved in 1972-'73, due largely to shortages of raw materials, transportation bottlenecks, and continued labor unrest. Future industrial production will be affected by the curbs India has been forced to impose on the consumption of petroleum products.

This year's unprecedented inflation should be slowed by a plentiful harvest next spring. This will also reverse a decline in per capita GNP, which has contributed to widespread labor unrest and social tension.

The unusual trade surplus India enjoyed during fiscal 1973 appears to be reverting to a sizable deficit for the current fiscal year, due mainly to large imports of currently high-priced foodgrains, fertilizers, steel, and petroleum. The United States is benefiting from India's strong need for imported goods, services, and technology. While total U.S. exports have declined with the sharp fall in U.S. bilateral aid, U.S. exports not financed by aid rose from $148 million in 1971-'72 to $219 million in 1972-'73.

Best sales chances

Among the more promising export categories for U.S. manufacturers are power generation equipment, textile machinery and equipment, and waste disposal equipment. Other product areas offering good opportunities for U.S. suppliers are specialized airport modernization equipment, transportation equipment, mining and construction machinery, steel, chemicals, fetilizers, copper, newsprint, and lumber processing and paper mill machinery.

The availability of long-range financing, a major factor in the expansion of U.S. sales to India, looks promising for the future. While International Development Association and World Bank commitments to India in 1972-'73 totalled $564 million, annual IDA disbursements to India already exceed $200 million and are expected to increase substantially in the future.

The Department of Commerce has scheduled two trade missions to visit India in coming months to promote the sale of textile machinery and electrical generating, switching and transmission equipment. In addition, a catalog show on textile machinery will be held in February.

Licensing rules eased

The current investment climate is mixed. Although a recent law limits foreign equity to 40 percent, licensing rules have been eased and the government has shown interest in the selective import of foreign investment. Promising investment opportunities for U.S. companies lie in the areas of petrochemicals, fertilizer, electronic equipment, instrumentation, earthmoving equipment, and meat processing equipment.

INDIA's chief imports from U.S.: foodgrains, fertilizers, organic chemicals, soybean oil, aircraft, railway equipment.

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These new prices, in some cases several times 1972 levels, will increase export earnings so sharply that the totals boggle the imagination. Even if the current reduced production levels of some Arab countries are continued through 1974, given the new price levels, the revenues generated would still be well in excess of these governments' capacities to spend them and would simply add to their more than adequate reserves; hence, overall import growth is not likely to be affected significantly.

Israel, with its high import demand, remains a very promising market for U.S. goods. The United States is Israel's chief supplier and it is believed that, particularly at the present time, U.S. exporters can benefit from favorable Israeli sentiment toward the United States for its assistance during the recent conflict. Turkey's import levels should increase substantially during 1974, but the U.S. incremental share will be modest.

The largest U.S. export increase in the area is projected for Iran, where revenues are increasing dramatically with current oil production 17 percent higher than a year ago and prices more than double. Moreover, Iranian imports of capital goods are increasing by more than 35 percent per year and currency alignments of the past twelve months have placed U.S. suppliers in an excellent position to take advantage of this import demand. A U.S. Trade Center, opened in Iran in November, is promoting and coordinating U.S. export activities in this phenomenal market.

In the South Asian subcontinent, unlike a year ago, improved economic conditions are enabling these countries to finance (primarily from foreign sources) sharply higher import levels. The United States is expected to maintain its prominent position in this expanding market.

There is a high regard for the quality of U.S. goods. The strengthened U.S. competitive position of the past six months, brought about in part by the two dollar devaluations, should continue if U.S. export prices hold. Because many of the governments of the area, especially in the oil-producing nations, are budgeting expenditures of a large magnitude to implement development programs of impressive scope, American firms or consortia offering complete development packages continue to be in an advantageous position.

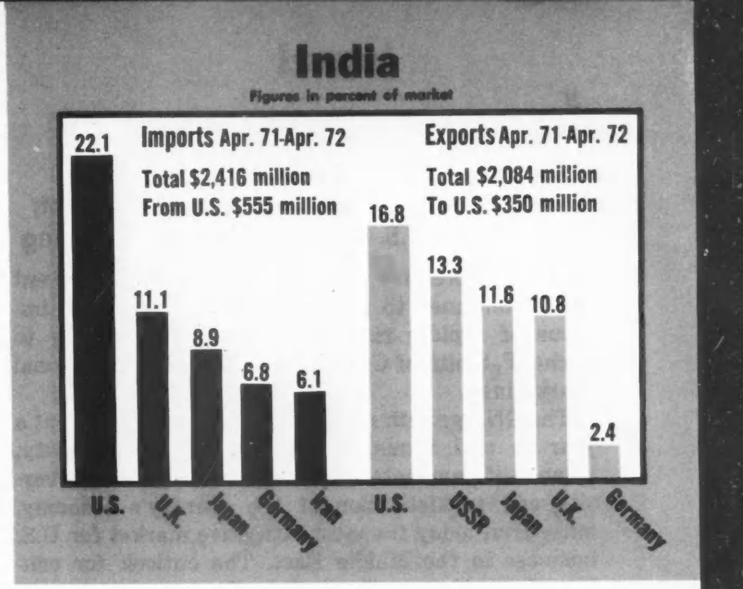
A problem which is virtually endemic throughout the Near East-South Asia area is inflation, which in some cases has made deep inroads into development gains. Various anti-inflation measures are being applied, especially in the fiscal field, but they have met with only moderate success.

In the articles that follow, individual trade outlooks for selected countries in the area are presented which illustrate the above trends.

A few general statements about U.S. exports and trade during 1973 with four additional countries of the area, Egypt, Iraq, Syria and Jordan, should be noted. The increase in the level of U.S. exports to Egypt and Iraq, with whom the United States did not have diplomatic relations (re-established with Egypt in November), was more than 50 percent, and infrastructure contracts of large magnitude were concluded by U.S. firms in these countries. Of Egypt's $196 million in U.S. imports from January-October 1973, $55 million were in U.S. commercial aircraft sales. U.S. exports to Syria registered an encouraging increment of 10 percent and to Jordan 31 percent, the latter due in large part to special category exports.

India

Substantial Import Increase Seen Likely As Economy Revives From Recent Droughts



The outlook for continued expansion of U.S. sales to India is bright. Such exports jumped 43 percent during the first 10 months of 1973 over the same period of 1972, and will rise an estimated 26 percent in 1974, predicts Claude L. Clement of Commerce's Office of International Marketing.

Despite the end of significant U.S. Agency for International Development lending to India, prospects for a continuation of this favorable trade pattern have been strengthened by a number of developments. The Indian economy is reviving after two years of drought, and plentiful water supplies brought by last summer's monsoon will benefit both agricultural output and power generation.

U.S. goods in demand

The increase of 48 percent in commercially-financed U.S. exports to India during fiscal 1972-'73 shows a strong demand for U.S. goods. India's foreign exchange position is relatively comfortable, with reserves totaling $1.3 billion at the end of October.

Because of the unusually good monsoon, prospects are for a record foodgrain harvest in 1973-'74. The outlook is also promising for commercial crops, thanks to adequate irrigation and more hydro-generated electricity for pump operation. Production of sugar and especially peanuts and cotton are expected to be higher. Despite competition from Bangladesh, the outlook for jute is also favorable.

However, industrial growth during 1973-'74 will be substantially lower than the 7 percent achieved in 1972-'73, due largely to shortages of raw materials, transportation bottlenecks, and continued labor unrest. Future industrial production will be affected by the curbs India has been forced to impose on the consumption of petroleum products.

This year's unprecedented inflation should be slowed by a plentiful harvest next spring. This will also reverse a decline in per capita GNP, which has contributed to widespread labor unrest and social tension.

The unusual trade surplus India enjoyed during fiscal 1973 appears to be reverting to a sizable deficit for the current fiscal year, due mainly to large imports of currently high-priced foodgrains, fertilizers, steel, and petroleum. The United States is benefiting from India's strong need for imported goods, services, and technology. While total U.S. exports have declined with the sharp fall in U.S. bilateral aid, U.S. exports not financed by aid rose from $148 million in 1971-'72 to $219 million in 1972-'73.

Best sales chances

Among the more promising export categories for U.S. manufacturers are power generation equipment, textile machinery and equipment, and waste disposal equipment. Other product areas offering good opportunities for U.S. suppliers are specialized airport modernization equipment, transportation equipment, mining and construction machinery, steel, chemicals, fetilizers, copper, newsprint, and lumber processing and paper mill machinery.

INDIA's chief imports from U.S.: foodgrains, fertilizers, organic chemicals, soybean oil, aircraft, railway equipment.

The availability of long-range financing, a major factor in the expansion of U.S. sales to India, looks promising for the future. While International Development Association and World Bank commitments to India in 1972-'73 totalled $564 million, annual IDA disbursements to India already exceed $200 million and are expected to increase substantially in the future.

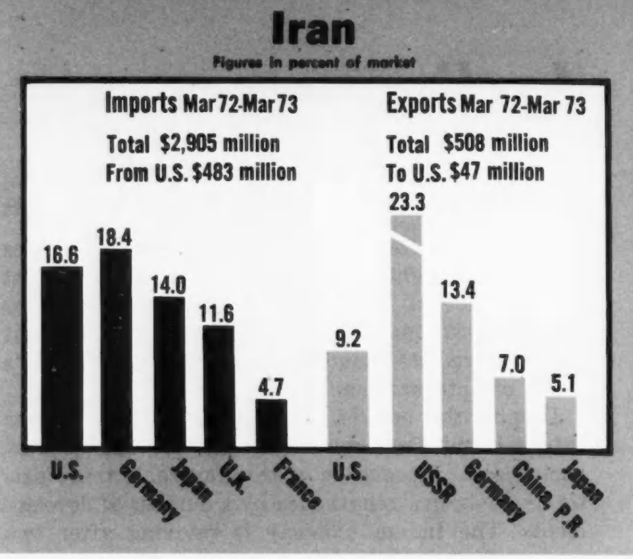
The Department of Commerce has scheduled two trade missions to visit India in coming months to promote the sale of textile machinery and electrical generating, switching and transmission equipment. In addition, a catalog show on textile machinery will be held in February.

Licensing rules eased

The current investment climate is mixed. Although a recent law limits foreign equity to 40 percent, licensing rules have been eased and the government has shown interest in the selective import of foreign investment. Promising investment opportunities for U.S. companies lie in the areas of petrochemicals, fertilizer, electronic equipment, instrumentation, earthmoving equipment, and meat processing equipment.

Iran

Rising Oil Revenues Speed Development; Market For U.S. Goods, Services Booming



Iran's impressive economic performance of recent years continues to gain momentum under the impetus of rapidly rising oil revenues, according to Michel F. Smith of Commerce's Office of International Marketing.

The GNP growth rate, currently about 14 percent a year in real terms, as well as political stability, balance-of-payments surpluses, and increasing diversity and sophistication of the country's economy, make Iran today the most attractive market for U.S. business in the Middle East. The outlook for continued rapid growth during the next several years is extremely favorable in view of Iran's vast petroleum and natural gas reserves, its determination to expand production and foreign sales, and the decision to devote most of the income from those sales to economic development and improvement of living standards.

U.S. is major supplier

The United States has long been a major supplier of Iran, and our current share of the civilian market is close to 17 percent. The currency revaluations have been a vital factor in strengthening the U.S. market position in Iran in recent months and should continue to play a beneficial role for some time to come. According to U.S. trade statistics, exports to Iran rose 16 percent in 1972 and jumped another 30 percent last year. U.S. sales in Iran are expected to register another substantial increase in 1974—on the order of 20 percent or more—in line with the anticipated general growth in Iranian economic activity.

Rapid growth is not without its problems, however. The Government is showing increased concern over inflation, which accelerated in recent months to a rate in excess of 10 percent. Essential foodstuffs have been placed under price control, and steps have been taken to limit the expansion of credit. However, it is still too early to predict how successful these anti-inflationary measures will be in view of projected major increases in developmental outlays.

During 1973, Iran for the first time gained direct control over all petroleum production and investment in the country. Oil production in Iran is already up 17 percent from a year ago, and further production increases will be pushed. This, coupled with recent boosts in the world price of oil, will enable Iran to speed the pace of economic development and industrialization.

Economic development goals under the government's Fifth Plan (1973-'78) are being adjusted upward to take into account higher projected oil revenues. Development outlays during the five-year plan period, originally set at $36 billion, will be increased by at least $10 billion. Thus, the rate of fixed investment during the next five years is expected to be four or five times as high as it was during the period 1968-'73. The heaviest imports of capital will be in industry and mines, housing, oil and gas, transportation and infrastructure.

IRAN's chief imports from U.S.: wheat and rice, fats and oils, aircraft and parts, motor vehicles and parts and accessories, construction machinery, telecommunications equipment.

The Government of Iran recognizes the advantages of foreign direct investment as a means of increasing the pace of industrialization, introducing new technologies, and promoting growth of non-oil exports. To this end it is determined to maintain a good investment climate and to promote specific types of projects among potential investors from abroad. Approved foreign investors may be granted temporary tariff protection as well as duty-free import privileges in connection with plant construction. Projects in remote areas are being offered special inducements.

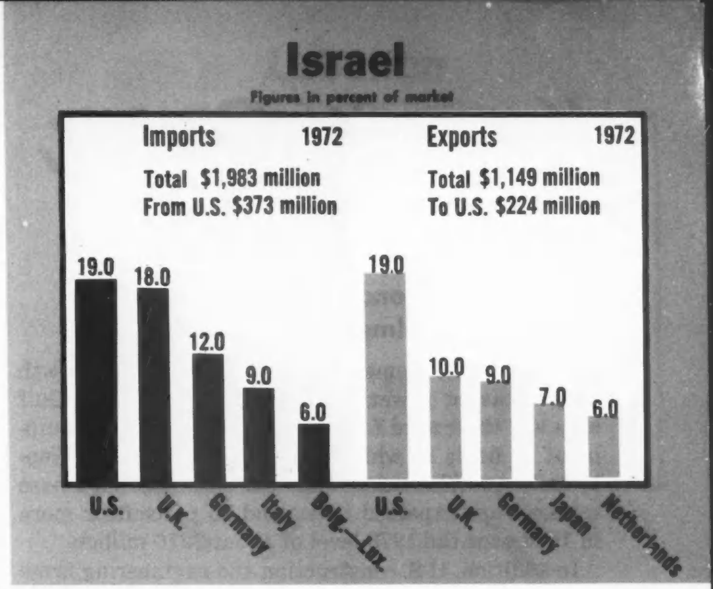
New U.S. trade center

To take maximum advantage of opportunities for increased sales presented by the Iranian economic boom, the U.S. Government opened a new trade center in Tehran in November with an outstandingly successful exhibition of the latest in medical and hospital equipment. An exhibition of U.S. business equipment will follow in February.

Future events at the U.S. Trade Center will be carefully tailored to match Iranian market opportunities in areas in which U.S. industry occupies a strong competitive position. A comprehensive market research effort is now under way to help pinpoint these opportunities.

Israel

High-Technology And Labor-Saving Items Needed For Industrializing Economy



NOTE: Excludes Special Category shipments.

The recent conflict in the Mideast has intensified Israel's pro-American sentiment, creating additional entries to the market for American exporters of capital goods and industrial raw materials. The widespread personnel mobilization has underlined Israel's urgent need for labor-saving devices and techniques at all levels, and the country now suffers a severe shortage of transport equipment.

The atmosphere of austerity following the war will reduce demand for consumer goods according to F. D. Manzolillo of the Commerce Department's Office of International Marketing. However, Israel's ability to pay for industrial machinery and raw materials appears unimpaired. During the first months of 1973, the inflationary trends in the Israeli economy were further accentuated and the rate of increase in prices doubled. These developments result primarily from pressures of demand, but also from cost factors, namely the surge in the prices of imported goods, the decrease in subsidies on essentials and the rise in indirect taxes.

The United States is Israel's leading supplier with an estimated 20 percent share of the import market. U.S. figures show that exports to Israel reached $557 million in 1972. Figures for the first nine months of 1973 reflect a continued strong export growth with $547.7 million in American sales recorded, compared to $406 million during the period last year. Total U.S. sales to Israel should reach at least $992 million in 1973, led by cereals, soybeans, power generating machinery, aircraft and parts.

Industrialization pushed

Israel has outgrown its development phase and is now in the first phase of conversion into an industrial state. As industrialization continues, there will be a steady import of capital goods as well as raw materials. The progress of industrialization in Israel continues to be marked with remarkable achievements, despite natural limitations. GNP in 1972 almost reached $7 billion—a per capita income of $2,200. In real terms, the aggregate GNP rose 9.5 percent during 1972.

Until 1981 Israel intends to expand industrial output at an average rate of 9.5 percent. At 1972 prices, the value of industrial output in 1981 will reach 42.4 billion Israeli pounds (Israeli pounds 4.20=$1). Industrial exports other than diamonds are expected to total $1.9 billion in 1981, increasing at a rate of some 15 percent per year. Inclusive of diamonds, exports will reach $2.4 billion.

Gross investment in industry will total about 17.5 billion Israeli pounds over the period ending in 1981, expanding gradually. Its average annual volume will exceed 1.5 billion Israeli pounds.

Although Israel will, to some extent, direct its purchases toward places where more Israeli goods are sold to ease the balance of payments problems, American exporters can benefit from Israel's new enthusiasm and sentiment toward the United States.

Product lines which offer best sales prospects are those goods of high technology where the U.S. reputation for quality commands respect even at a premium price and products which offer a promise of saving labor or time. For example, there are favorable markets for U.S. exports in the electronic industry and medical field; also, for security equipment for crime detection and prevention.

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Any imports that will ease Israel's dependence on scarce labor will continue to be in demand. For example, immigration as well as normal population growth will continue to put heavy demands on new construction of homes and commercial buildings. With the chronic labor shortage, new building processes and techniques of prefab housing and modular homes will find a highly receptive market. Also, port facilities are being expanded to handle containerized shipments. Heavy lift cranes, container handling and other material handling equipment are in demand.

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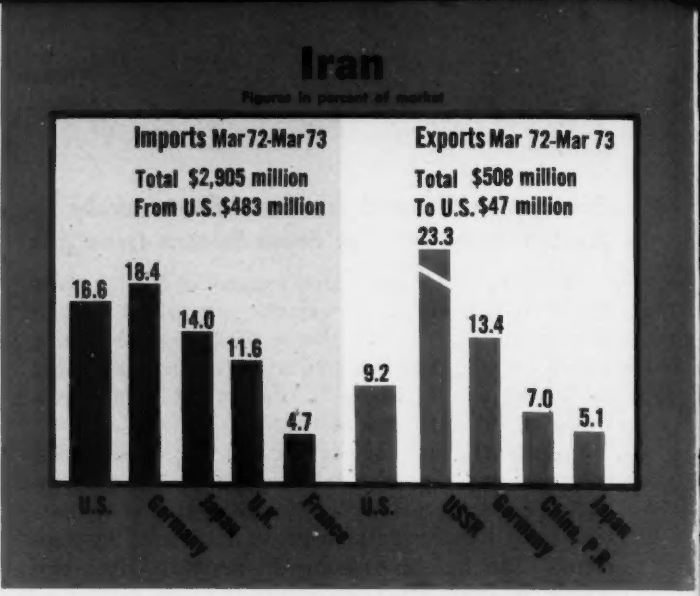

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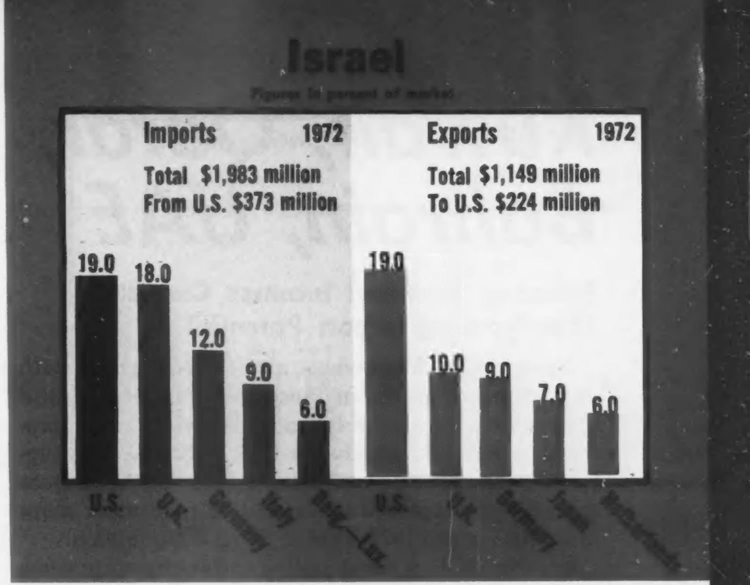

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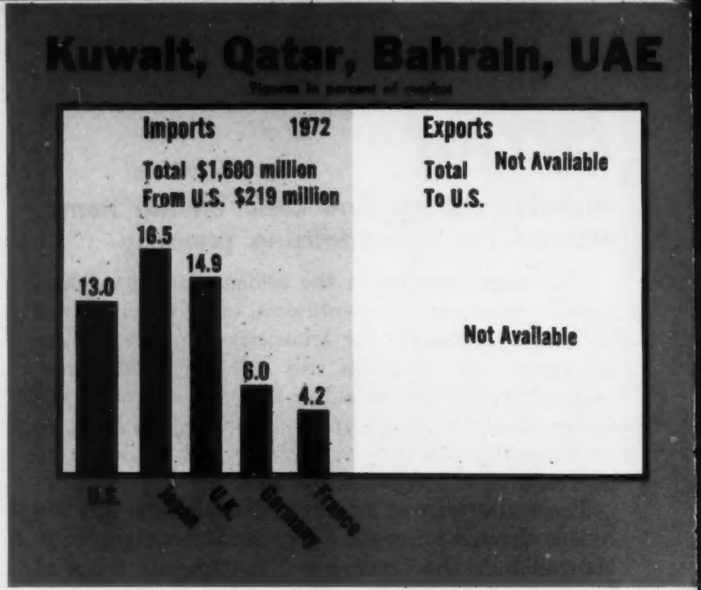
Kuwait, Qatar, Bahrain, UAE

Spiraling National Incomes Create Fast-Growing Import Potential



Based on the tremendous, almost overnight growth of purchasing power in these countries of the Gulf area and their need for technical knowhow and equipment in fields in which the United States is exceptionally qualified to compete, U.S. exports to these markets are expected to expand 25 percent or more in 1974 over the 1973 level of about $270 million.

In addition, U.S. construction and engineering firms should win contracts amounting to many millions of dollars. The outcome of the Mideast peace negotiations bears strongly on U.S. commercial prospects, but as of December there are no firm indications that political differences with the United States over the Arab-Israeli dispute will significantly affect commercial relations, reports George T. Beck of the Commerce Department's Office of International Marketing.

The almost geometric increases in oil revenues of these predominantly oil-based economies are producing phenomenal rates of economic growth. Even before the more than doubling of crude oil prices announced in December 1973, and assuming no production growth beyond the September level, these countries with a combined population of less than 1.5 million were expected to net some $6.7 billion in oil revenues (as compared with only $1.7 billion in 1971) distributed as follows (in billions): Kuwait, $3.8; UAE, $2.0; Qatar, $0.7; and Bahrain, $0.2.

Revenues of such magnitude will support imports to the full extent of these countries' absorptive capacity and still leave them substantial amounts for loans and grants to less affluent Arab countries, investments in international financial institutions and reserve accumulations. In fact, the main limitation on the import potential of these countries is the institutional capacity of the respective governments to formulate, tender and award large, multi-million dollar infrastructure projects in such fields as education, transportation, communication, public health, port construction, urban development, and housing. Consumer purchasing power will grow significantly, but probably not correspondingly, because of difficulties in implementing programs to spread this new prosperity to the private sector.

Reflecting the sharp growth in purchasing power, combined imports of these countries increased by over 50 percent in 1972 to $1.7 billion, and to an estimated $2 billion in 1973. The United States commanded about 13 percent of the market in both years, a decline from earlier years (particularly in Kuwait) which reflects the growing European and Japanese competition.

Given the virtual absence of import and exchange restrictions, competition is about the only limiting factor to U.S. export growth.

KUWAIT AND NEIGHBORS' chief imports from U.S.: motor vehicles and parts, heating and cooling machinery, tobacco manufactures, chemicals, construction and mining machinery, nonelectric power generating machinery.

The improved price competitiveness of U.S. products resulting from dollar devaluations affords the opportunity for greater market penetration by U.S. firms willing to undertake a determined sales effort.

Projects outlook good

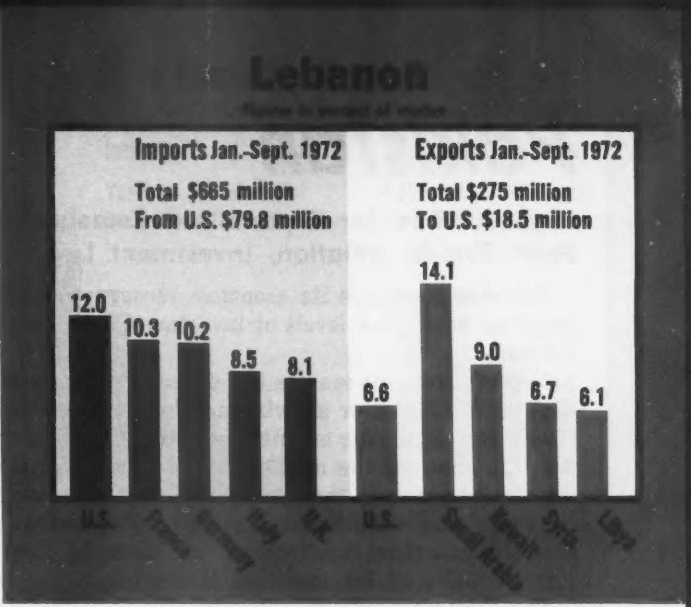
In 1974 and 1975, U.S. companies will have the opportunity to bid on supply of engineering and construction services or equipment for a number of projects already formulated or in advanced planning stages. For Kuwait alone, such projects surpass the $300 million mark. The United Arab Emirates will implement projects only slightly below that figure and both Qatar and Bahrain will tender projects whose value exceeds $100 million.

Also, these countries are negotiating for the establishment of large multi-million dollar petrochemical plants that would insure future industrial employment when the ability to export oil dwindles. The possibility of assured supplies of oil or natural gas is offered in return for foreign collaboration.

The U.S. Department of Commerce is planning to send trade missions to the area in 1974 to promote educational equipment, water resources development, communications equipment, and specialized industrial handling and transportation equipment.

Lebanon

Economy Rallying From 1973's Setbacks; Record Imports From U.S. Predicted



U.S. exports to Lebanon in 1974 should increase slightly over the estimated record level of $155 million in 1973, reports George T. Beck of Commerce's Office of International Marketing.

This prediction could be affected considerably by the outcome of the current Mideast peace negotiations, since Lebanon, as a major financial and tourist center in the Arab world and the key entrepot for trade with Arab nations, is highly susceptible to unsettled political conditions in the area. As of December, however, there were no firm indications that the present political unrest will seriously affect U.S.-Lebanese commercial relations.

Modest improvement

Economic activity in Lebanon should improve moderately in 1974 as the economy rebounds from recent setbacks related to the Arab-Israeli strife. Although inflationary trends may dampen import demand for consumer goods, the initiation of several major public projects under Lebanon's Six-Year Development Plan will help take up the slack. More competitive prices for U.S. products following dollar devaluations could largely offset the advantages gained by our principal European competitors from the Lebanon-EEC preferential tariff agreement of December 1972, and enable U.S. exports to share in the moderate growth expected in Lebanon's imports during 1974.

Lebanon's net GNP growth rate appears to have dropped to 3 percent in 1973 compared to the 7 percent or more achieved in several previous years. The important light industry sector continued its gains, achieving a more than 30 percent increase in the value of exports for the second successive year.

Lebanon's free banking system continued to attract large capital inflows; Central Bank reserves increased from $694 million at the end of 1972 to $865.3 million in October 1973. Demand deposits increased by about 10 percent and domestic credit expanded by 35 percent.

The construction industry suffered from inflation and the loss of Syrian workers but remained one of the more vigorous sectors of the economy. Overall economic activity was slowed, however, by the impact of events related to the Arab-Israeli dispute on such key sectors as the $200 million annual tourist industry, transit trade, port operations, and agricultural exports.

Agricultural production and exports also were adversely affected by drought.

The renewed vigor in the economy noted by the end of 1973 will probably be tempered in 1974 by political uncertainties, shortages of some refined oil products, higher prices for imported goods, and continuing inflation.

Confidence high

Despite these problems, business confidence is high in Lebanon, particularly in the well-developed financial community, because of the country's strong balance-of-payments position, its stable currency, and its close trade and financial links with the increasingly prosperous Arab hinterland.

LEBANON's major imports from U.S.: motor vehicles and parts, civilian aircraft and parts, chemicals, cereal grains and preparations, tobacco manufactures, non-electric power generating machinery.

Many Lebanese businessmen believe that U.S. exports will benefit significantly from the dollar devaluation; a sharp upturn in U.S. auto sales late in 1973 is partly attributable to this factor.

U.S. exports to Lebanon are estimated to have shared proportionately in the approximate 20 percent increase in total imports to almost $900 million in 1973, maintaining this country's leading supplier role with about 12 percent of the market. All major traditional U.S. exports showed moderate to large gains, except aircraft sales. Promising categories for new gains in 1974 are electrical generating, hospital, and telecommunication equipment; and scientific instruments.

To assist American exporters, the U.S. Department of Commerce plans to sponsor five product exhibits and three catalog exhibits at the U.S. Trade Center in Beirut this year, as well as a specialized trade mission to Lebanon in 1974. Themes to be featured include sports and recreation equipment, selected food handling equipment, communications equipment, hospital and medical equipment, specialized building materials, and automotive servicing and repair equipment.

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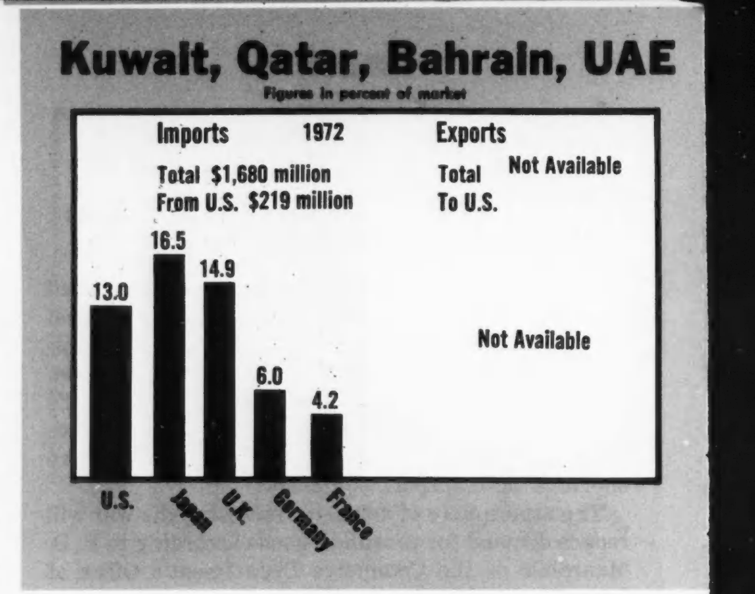

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Projects outlook good

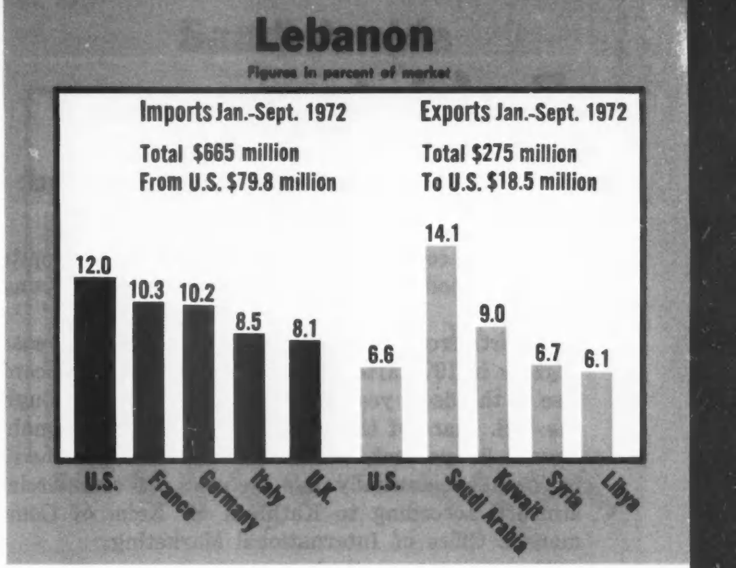
In 1974 and 1975, U.S. companies will have the opportunity to bid on supply of engineering and construction services or equipment for a number of projects already formulated or in advanced planning stages. For Kuwait alone, such projects surpass the $300 million mark. The United Arab Emirates will implement projects only slightly below that figure and both Qatar and Bahrain will tender projects whose value exceeds $100 million.

Also, these countries are negotiating for the establishment of large multi-million dollar petrochemical plants that would insure future industrial employment when the ability to export oil dwindles. The possibility of assured supplies of oil or natural gas is offered in return for foreign collaboration.

The U.S. Department of Commerce is planning to send trade missions to the area in 1974 to promote educational equipment, water resources development, communications equipment, and specialized industrial handling and transportation equipment.

Lebanon

Economy Rallying From 1973's Setbacks; Record Imports From U.S. Predicted



U.S. exports to Lebanon in 1974 should increase slightly over the estimated record level of $155 million in 1973, reports George T. Beck of Commerce's Office of International Marketing.

This prediction could be affected considerably by the outcome of the current Mideast peace negotiations, since Lebanon, as a major financial and tourist center in the Arab world and the key entrepot for trade with Arab nations, is highly susceptible to unsettled political conditions in the area. As of December, however, there were no firm indications that the present political unrest will seriously affect U.S.-Lebanese commercial relations.

Modest improvement

Economic activity in Lebanon should improve moderately in 1974 as the economy rebounds from recent setbacks related to the Arab-Israeli strife. Although inflationary trends may dampen import demand for consumer goods, the initiation of several major public projects under Lebanon's Six-Year Development Plan will help take up the slack. More competitive prices for U.S. products following dollar devaluations could largely offset the advantages gained by our principal European competitors from the Lebanon-EEC preferential tariff agreement of December 1972, and enable U.S. exports to share in the moderate growth expected in Lebanon's imports during 1974.

Lebanon's net GNP growth rate appears to have dropped to 3 percent in 1973 compared to the 7 percent or more achieved in several previous years. The important light industry sector continued its gains, achieving a more than 30 percent increase in the value of exports for the second successive year.

Lebanon's free banking system continued to attract large capital inflows; Central Bank reserves increased from $694 million at the end of 1972 to $865.3 million in October 1973. Demand deposits increased by about 10 percent and domestic credit expanded by 35 percent.

The construction industry suffered from inflation and the loss of Syrian workers but remained one of the more vigorous sectors of the economy. Overall economic activity was slowed, however, by the impact of events related to the Arab-Israeli dispute on such key sectors as the $200 million annual tourist industry, transit trade, port operations, and agricultural exports.

Agricultural production and exports also were adversely affected by drought.

The renewed vigor in the economy noted by the end of 1973 will probably be tempered in 1974 by political uncertainties, shortages of some refined oil products, higher prices for imported goods, and continuing inflation.

Confidence high

Despite these problems, business confidence is high in Lebanon, particularly in the well-developed financial community, because of the country's strong balance-of-payments position, its stable currency, and its close trade and financial links with the increasingly prosperous Arab hinterland.

Many Lebanese businessmen believe that U.S. exports will benefit significantly from the dollar devaluation; a sharp upturn in U.S. auto sales late in 1973 is partly attributable to this factor.

U.S. exports to Lebanon are estimated to have shared proportionately in the approximate 20 percent increase in total imports to almost $900 million in 1973, maintaining this country's leading supplier role with about 12 percent of the market. All major traditional U.S. exports showed moderate to large gains, except aircraft sales. Promising categories for new gains in 1974 are electrical generating, hospital, and telecommunication equipment; and scientific instruments.

To assist American exporters, the U.S. Department of Commerce plans to sponsor five product exhibits and three catalog exhibits at the U.S. Trade Center in Beirut this year, as well as a specialized trade mission to Lebanon in 1974. Themes to be featured include sports and recreation equipment, selected food handling equipment, communications equipment, hospital and medical equipment, specialized building materials, and automotive servicing and repair equipment.

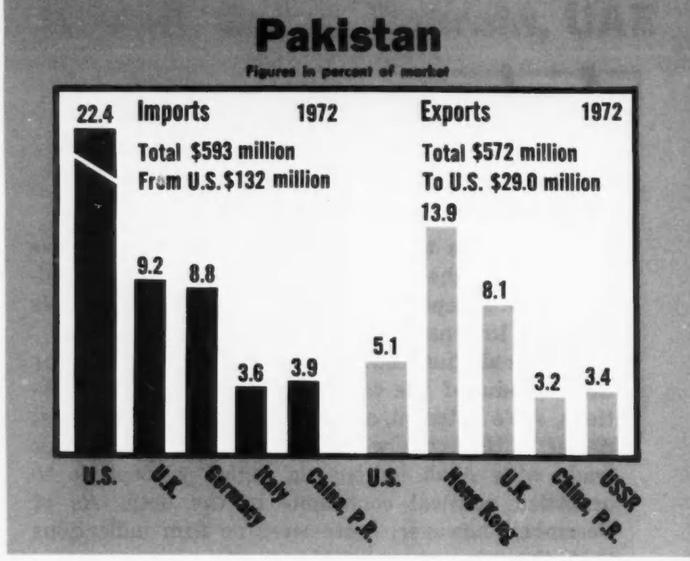
LEBANON's major imports from U.S.: motor vehicles and parts, civilian aircraft and parts, chemicals, cereal grains and preparations, tobacco manufactures, non-electric power generating machinery.

Pakistan

Higher Prices For Exports Aid Comeback From Floods, Inflation, Investment Lag

Pakistan continues its economic recovery despite crippling floods, low levels of investment, and rising inflation.

Imports from all sources are expected to increase slightly in 1974 after showing an almost 25 percent rise in the fiscal year ending last June 30. Although the U.S. share of the market is expected to remain around 20 percent, the value of U.S. exports will increase substantially due to sales of commercial aircraft, according to Kathleen M. Keim of Commerce's Office of International Marketing.



The export outlook remains bright for Pakistan as world prices for cotton and rice, the country's major exports, are expected to remain high during the coming year. The GNP growth rate in the 1973 fiscal year was 6.5 percent (totaling $3.7 billion) compared with 1.4 percent the previous year.

Sluggish investment

An ongoing problem for Pakistan is the sluggish investment picture. Several recent governmental actions have revived private industry's misgivings concerning their role in the mixed economy—the Central Government has nationalized the vegetable oil industry and domestic banking, and the Punjab Provincial Government has nationalized fertilizer distribution. Also, laws have been passed allowing the Central Government to acquire equity in 32 firms which have been under Government management since 1972, and to acquire management of domestically owned petroleum marketing and maritime shipping companies.

In August Pakistan suffered the worst floods in its modern history. Considerable damage was done to infrastructure and housing; losses to the cotton and rice crops were estimated at 500,000 bales and 350,000 tons respectively. Inflationary pressures that increased wholesale prices almost 24 percent and consumer prices between 11 percent and 14 percent in 1973 are still strong.

To counter inflation and added expenditures in the aftermath of the floods, the Government has taken a number of actions: along with reduced fertilizer and wheat flour subsidies, new tax measures have been introduced and development and military expenditures have been cut. The tax measures include a 25 percent ad valorem surcharge on all dutiable imports except machinery.

Exports continued to expand, from $591 million in fiscal 1972 to $823 million in fiscal 1973. The trend of increasing exports is expected to continue as international prices and demand remain high for cotton and rice. Allowing for flood damage to crops, exports and invisibles are still expected to earn more than $1 billion in foreign exchange in 1974. A considerable portion of these earnings will be used to purchase goods worldwide.

In addition to Pakistan's own foreign exchange earnings, international lending agencies provide avenues for financing exports. Although formal agreements have not been signed, the World Bank and the Asian Development Bank may finance fertilizer installations in Pakistan. Other international loans that can be spent in the United States and elsewhere include those for Karachi Port, industrial imports, industrial development, and power generation, transmission and distribution.

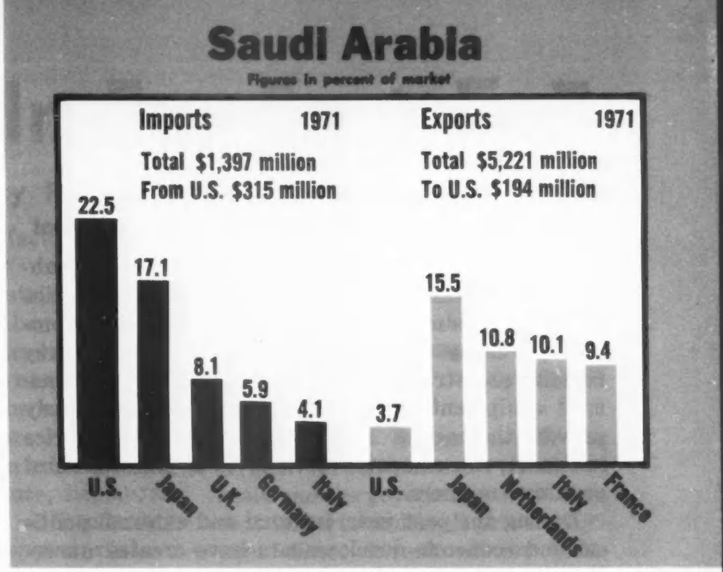
PAKISTAN's chief imports from U.S.: wheat and rice, soybean oil, fertilizers, iron and steel manufactures, machinery and transport equipment.

The United States, along with other Aid-to-Pakistan Consortium members, has granted Pakistan debt relief including payments on projects in Bangladesh (formerly East Pakistan). U.S. commodity assistance to Pakistan for fiscal 1974 will approximate $50-$60 million and PL-480 will total $34 million. Such commodity aid is used to purchase steel products, tallow, and industrial raw materials.

Market research and previous trade promotion events sponsored by the Department of Commerce point to a market in Pakistan for U.S. railroad and rapid transit equipment, textile machinery, pumps, valves and compressors, leather processing machinery, power generating machinery, sugar refining machinery and, in the future, mining equipment. Upcoming Commerce Department trade promotion plans include both a trade mission and catalog show for textile machinery, and a trade mission for electrical generating, switching and transmission equipment.

Saudi Arabia

No Change Foreseen In U.S. Position As Top Supplier To Booming Economy



Saudi Arabia's imports are likely to increase by 30 percent or more in 1974 after previously doubling in only two years to nearly $2 billion in 1973, as seen by Jackson B. Hearn of Commerce's Office of International Marketing. Present indications are that the United States will share strongly in this import growth and remain in the forefront of Saudi Arabia's suppliers despite increasingly strong competitive efforts from Europe and Japan.

As 1973 ended, the overall economic growth outlook for Saudi Arabia was extremely optimistic despite some uncertainties (particularly in the oil sector) emanating from the recent Mideast conflict. Given the country's heavy dependence on imports for both developmental and consumer requirements, the demands of economic growth translate to a high degree into imports.

The Saudis have put considerable value on their commercial and economic relations with the United States, and to date there have been no firm indications that present Saudi-U.S. political differences will significantly affect the prospects for U.S. companies to do business there.

Economy booming

Saudi Arabia's economy has been growing at a phenomenal rate in recent years under the stimulus of vigorous government development spending, which is a major determinant of the overall level of economic activity, and rapid oil sector expansion. Revenues from oil rose from $2.1 billion in 1971 to an estimated $5.5 billion in 1973 as production was increased from about 5 million barrels per day (b.p.d.) at the end of 1971 to an average rate of 8.2 million b.p.d. in September 1973. The oil sector currently generates about two-thirds of the country's GNP.

Saudi Arabia's planned program to raise crude oil production to 11 million b.p.d. by 1975 and to 20 million b.p.d. by 1980 is presently in suspension for political reasons; since the middle of October, in fact, oil production has been reduced by about 25 percent. With the recent sharp increases in posted prices raising the government's per barrel take from about $1.80 on Oct. 1 to $7 on Jan. 1, however, even this reduced level of production would generate revenues far in excess of the government's capacity to pump it into the economy through the budget. Thus, import growth will not be affected, except perhaps in the oil and certain related service industries, whatever policy the government adopts on expanding oil production.

The Government budget for fiscal year August 1973-July 1974 projects expenditures of $6.4 billion, 70 percent higher than the previous year. Budgeted development expenditures for agriculture, health, education, transportation, communications, power, and other infrastructure projects amount to $4 billion—up 112 percent. In its desire for economic diversification, the Saudi Government is also moving ahead with plans to develop a number of large-scale industries—including petrochemicals, fertilizers, aluminum, steel, copper, oil refining, and drug manufacturing—for which foreign capital and technology is being sought to combine with Saudi Government capital. Many new industries are also expected in the rapidly growing private sector, such as refrigeration, tire retreading, plastics, auto assembly, paints, and furniture.

The opportunities which these project developments provide for investment and for sales of equipment and services, combined with growing consumer income and import demand, make Saudi Arabia an increasingly attractive market. By doubling exports in 1972 and adding a more than 30 percent increase in 1973, the U.S. has been claiming nearly one-fourth of the total import market.

Much depends, of course, on the outcome of negotiations on the Arab-Israeli dispute. Barring some major political development which might ultimately damage our commercial relations, however, U.S. businessmen and their products should continue to benefit from the traditional Saudi respect for the quality of U.S. products and services and their improved price competitiveness resulting from dollar devaluation.

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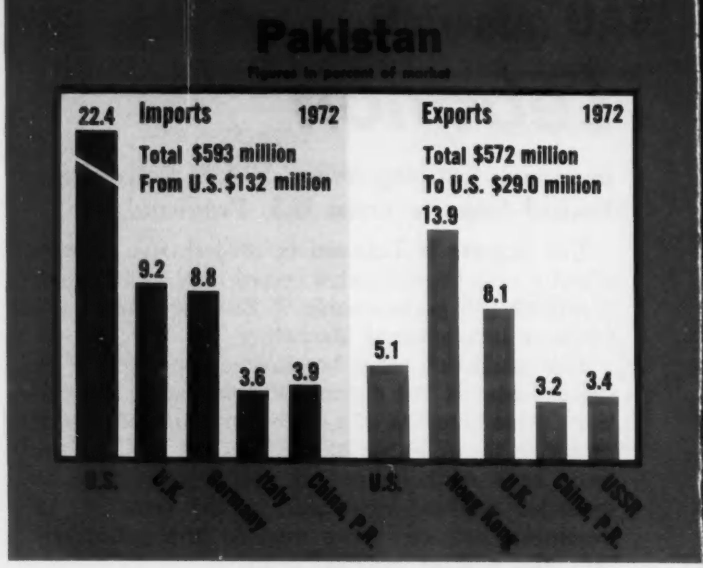

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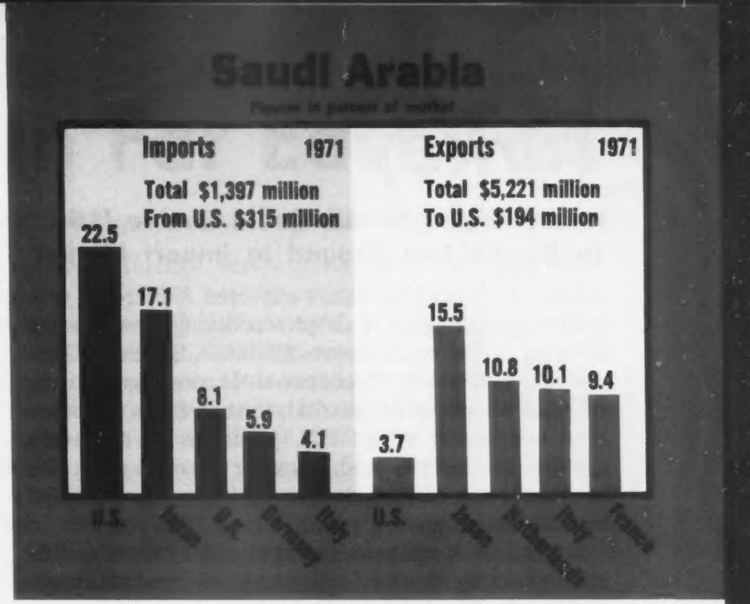

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Turkey

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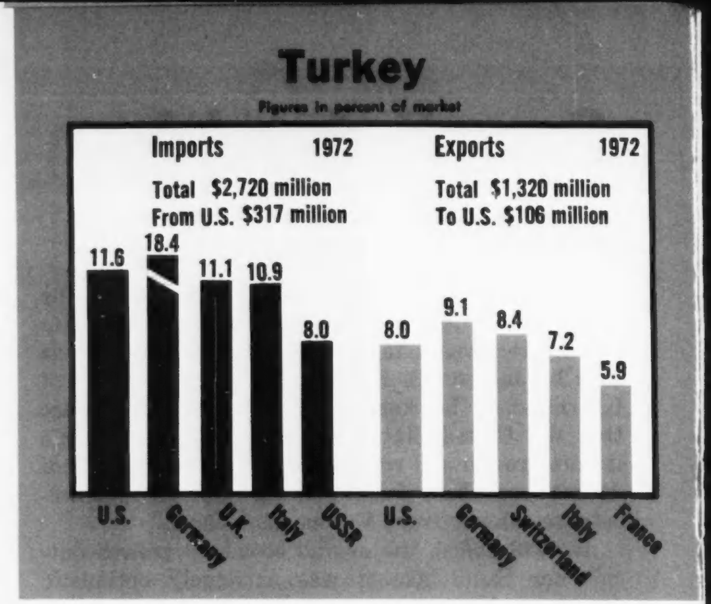
Turkish import levels are expected to increase substantially during 1974 despite political uncertainties at home and abroad, reports Elaine D. Smith of Commerce's Office of International Marketing. Turkey remains an attractive market, in such fields as industrial equipment where U.S. products have already proven themselves and, barring any sharp price increases, are competitive vis-a-vis aggressive third country suppliers.



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Bridge a trade link

On Oct. 29, the 50th anniversary of the establishment of the Turkish Republic, the Bosporus Bridge was opened. The bridge, which links Asian and European Turkey, is expected to greatly facilitate Turkey's trade and economic development.

A less favorable development during the year has been the adverse psychological impact in Turkey of the November announcement by the West German Government that it would admit no new Turkish workers. In addition, the inability of Turkish political leaders to form a coalition Government after the Oct. 14 elections, which gave no one party the requisite mandate to form a single pary government, has left the country in an atmosphere of political limbo. It had been hoped that, given the favorable economic indicators, a new Government would feel able to liberalize its import policy further and to enact other inflation-fighting measures such as additional taxation.

World economic conditions connected with the energy crisis, especially those in Western Europe, obviously will influence Turkish Government policy decisions.

The U.S. share of the Turkish market has declined recently. During the past few years, large-ticket sales of U.S. commercial aircraft to Turkey have at times tended to obscure a downturn in some other traditional U.S. export items. Reasons for this decline have included Turkish Government tariff preferences to EEC members and the phase-out of Agency for International Development-financed U.S. exports. However, commercially-financed U.S. exports are higher than before, and, more important, there is a considerable potential for growth. This is a most propitious time for U.S. suppliers to make an increased effort to promote their exports, avail themselves of the best marketing techniques, and include provisions for after-sales service, so that U.S. product demand will keep pace with the momentum of economic development.

Turkey's GNP rose 8.4 percent in real terms during 1972 to a level of $16 billion, with per capita GNP at current prices reaching $425. Foreign exchange reserves rose 75 percent during 1972 ($1.3 billion) and earnings from industrial exports showed a gain of 55 percent from the relatively narrow base of the previous year.

TURKEY's chief imports from U.S.: special category aircraft, special category motor vehicles and parts, metalworking machinery, telecommunications apparatus and parts.

During 1972 there was an increase of 33.4 percent in overall imports, an increase in which the U.S. shared only marginally—less than 2 percent, for the reasons given above.

The most attractive markets for U.S. exports include: machinery for agricultural, construction and industrial uses (especially textile and chemical); office machinery and equipment; food processing equipment; and electric generators.

The climate for foreign investment in Turkey reflects the prevailing uncertainty. The legislation itself is quite liberal but the complexity of the administrative machinery and the slowness in decision making, such as approval of applications and interpretation of laws and regulations for such matters as work permits for non-Turkish managerial personnel, have slowed investment growth. The chief criteria for investment proposals remain the extent to which import substitution is involved, export capability, and/or the introduction of new technology.

Oil Is The Issue In Far East, Too

Fuel Crisis May Offset Gains Due To Currency Realignments, 'Buy American' Policies

The 1974 forecast for U.S. exports to the Far East is cloudy, as seen by Art Miyakawa of Commerce's Office of International Marketing.

The continuing fuel crisis may cause a significant drop in the 1974 growth rate of U.S. exports to the area, to a rate considerably below the estimated 57 percent growth for 1973. Despite the uncertainties resulting from the oil-based problem, however, American exports in 1974 should approach $17 billion, with Japan accounting for about $9 billion.

Japan, which annually accounts for about half of U.S. shipments to the region, is in serious economic difficulty and facing growing shortages of energy with a 15 percent January reduction in fuel added to last December's 10 percent curtailment. Its basic industries have been forced to reduce output despite falling inventories.

Sales will be difficult

U.S. sales under these conditions will be difficult despite the advantages resulting from the exchange realignment, lower Japanese tariffs, and better competitive position of U.S. products. Other countries in the area, especially Korea and Taiwan, are also expected to face similar economic pressures and disruptions during 1974.

Offsetting factors are for continued sizable exports to Australia, one of the largest Far Eastern markets for U.S. goods, since all current indicators point to a full recovery from the 1971-'72 economic slowdown. The dollar devaluation and last July's unilateral 25 percent tariff reduction have strengthened significantly the competitive position of U.S. exports. Prospects, therefore, appear good for sales to reach a record $1.5 billion in Australia during 1974.

Included in the factors favoring the United States are the 1974 Taiwan decree restricting supply sources for a number of items to the United States and Europe; the continuing "Buy American" policy of Taiwan; and the opening of a U.S. Trade Center in Taipei in March to provide a continuing opportunity to introduce, display, and sell a wide range of products to the expanding Taiwan market.

Korea's imports from the United States in 1973 showed an astonishing 39 percent increase over 1972 following recovery from the recession of 1970-'71. This growth rate may be difficult to sustain during 1974, but, given Korea's interest in switching purchases from Japan to the United States and stressing higher technology equipment to modernize its export-oriented industries, a 20 percent growth in imports from the United States is believed possible. As in Taipei, a U.S. Trade Center will be opened in Seoul to introduce American products to the Korean market.

Hong Kong's laissez-faire policies and political stability are important factors which will continue to make it one of the better markets for U.S. goods in Asia. U.S. export growth to the Crown Colony is forecast to increase about 35 percent to $1.1 billion. Since to all intents and purposes Hong Kong is a free and open port with almost no restrictions on imports, U.S. exporters should find this market attractive, expanding rapidly and ready to accept an increasingly larger variety of U.S. goods.

American exports to Indonesia are expected to be supported strongly by U.S. private investment, including those in the major growth sector of oil. Other factors favorable to continued expansion of U.S. exports include the continuing aid program and the increased competitiveness of American goods by reason of the shifting currency alignments of Indonesia's other leading suppliers. U.S. exports, consequently, are expected to increase by one-third to about $560 million during 1974.

The United States is still the largest foreign investor in Indonesia and the government estimates that imports under all private foreign direct investment in Indonesia will increase by about 44 percent over last year.

The substantial increase in government infrastructure and expansion of both public and private investment in agriculture, industry, and social development areas will offer attractive prospects for U.S. exports to the Philippines.

In the public sector

In the Philippine public sector, the projected expansion of electrical generating and distributing facilities (including AID-supported rural electrification), telecommunications, railways, road construction, defense industries, and civil transportation facilities could increase U.S. exports to the Philippines by approximately 15 percent.

The higher level of the country's traditional agricultural and mineral exports is expected to continue for an extended period in view of continuing world shortages. The current and prospective buoyancy of business activity should support greater imports of producer goods as well as consumer items not on the banned list.

Other Far Eastern countries will show varying rates of increased purchases from the United States, large in percentage terms but small in dollar values. In total, however, these smaller nations could account for another $1.2-$1.3 billion, raising the total to the Far East to approximately $17 billion.

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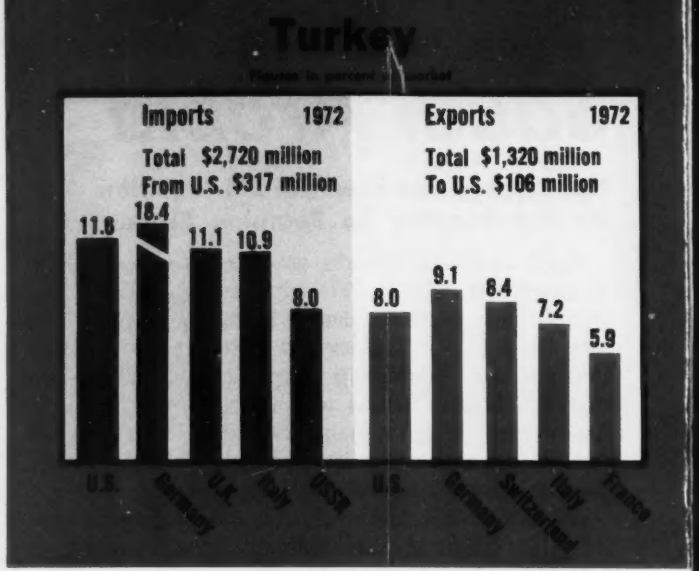

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Offsetting factors are for continued sizable exports to Australia, one of the largest Far Eastern markets for U.S. goods, since all current indicators point to a full recovery from the 1971-'72 economic slowdown. The dollar devaluation and last July's unilateral 25 percent tariff reduction have strengthened significantly the competitive position of U.S. exports. Prospects, therefore, appear good for sales to reach a record $1.5 billion in Australia during 1974.

Included in the factors favoring the United States are the 1974 Taiwan decree restricting supply sources for a number of items to the United States and Europe; the continuing "Buy American" policy of Taiwan; and the opening of a U.S. Trade Center in Taipei in March to provide a continuing opportunity to introduce, display, and sell a wide range of products to the expanding Taiwan market.

Korea's imports from the United States in 1973 showed an astonishing 39 percent increase over 1972 following recovery from the recession of 1970-'71. This growth rate may be difficult to sustain during 1974, but, given Korea's interest in switching purchases from Japan to the United States and stressing higher technology equipment to modernize its export-oriented industries, a 20 percent growth in imports from the United States is believed possible. As in Taipei, a U.S. Trade Center will be opened in Seoul to introduce American products to the Korean market.

Hong Kong's laissez-faire policies and political stability are important factors which will continue to make it one of the better markets for U.S. goods in Asia. U.S. export growth to the Crown Colony is forecast to increase about 35 percent to $1.1 billion. Since to all intents and purposes Hong Kong is a free and open port with almost no restrictions on imports, U.S. exporters should find this market attractive, expanding rapidly and ready to accept an increasingly larger variety of U.S. goods.

American exports to Indonesia are expected to be supported strongly by U.S. private investment, including those in the major growth sector of oil. Other factors favorable to continued expansion of U.S. exports include the continuing aid program and the increased competitiveness of American goods by reason of the shifting currency alignments of Indonesia's other leading suppliers. U.S. exports, consequently, are expected to increase by one-third to about $560 million during 1974.

The United States is still the largest foreign investor in Indonesia and the government estimates that imports under all private foreign direct investment in Indonesia will increase by about 44 percent over last year.

The substantial increase in government infrastructure and expansion of both public and private investment in agriculture, industry, and social development areas will offer attractive prospects for U.S. exports to the Philippines.

In the public sector

In the Philippine public sector, the projected expansion of electrical generating and distributing facilities (including AID-supported rural electrification), telecommunications, railways, road construction, defense industries, and civil transportation facilities could increase U.S. exports to the Philippines by approximately 15 percent.

The higher level of the country's traditional agricultural and mineral exports is expected to continue for an extended period in view of continuing world shortages. The current and prospective buoyancy of business activity should support greater imports of producer goods as well as consumer items not on the banned list.

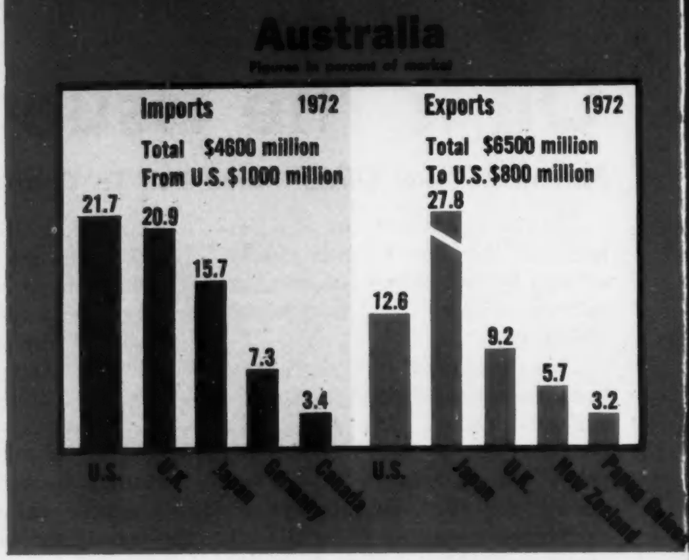
Other Far Eastern countries will show varying rates of increased purchases from the United States, large in percentage terms but small in dollar values. In total, however, these smaller nations could account for another $1.2-$1.3 billion, raising the total to the Far East to approximately $17 billion.

Australia

Booming Economy, Currency Revaluations Offer Bright Prospects For U.S. Exports

The current strong upward thrust of the Australian economy is expected to continue into 1974. From January to October 1973 U.S. exports to Australia exceeded $1 billion, sharply increasing from $704 million for the same period of 1972. Continuing gains are expected for 1974 by Nancy Keely of Commerce's Office of International Marketing.

Fully recovered from the 1971-'72 slowdown, the economy is now operating at nearly full capacity. The outlook for 1973-'74 indicates that domestic production will be severely strained in an effort to meet demand. For the three months ending in August, retail sales rose 15 percent above the level for the same period of the previous year. Continued strong consumer demand should help support the booming economy and provide a decided stimulus for Australian imports in 1974.



Trade surplus

Reserves at end of June totaled $6.1 billion, nearly equaling the all-time peak of about $6.2 billion reached in January 1973, just prior to the U.S. dollar devaluation in February. The Australian trade surplus reached $2.7 billion in 1972-'73, exceeding even the previous record surplus of $1.1 billion. The balance of payments also showed a current account surplus of almost $1 billion, the first surplus since 1956-'57. Further Australian trade surpluses should continue during the 1970's, although sharply mounting imports will probably keep the surplus from matching the record level of 1972-'73.

Although inflation remains acute —rising about 8 percent annually, with 10 percent forecast for 1974—the gross domestic product in the past fiscal year exceeded $52 billion, for a growth of 4 percent in real terms, and a predicted real growth of 7 percent for 1973-'74.

Australian manufacturers are generally optimistic that the current high level of output and new orders will be maintained in the immediate future, but express some doubt of further improvement in general business conditions in the longer term, despite continued economic revival which has outstripped previous forecasts. Widespread cost increases and acute labor shortages remain the greatest difficulties facing manufacturers.

Since 1967 the United States has been Australia's leading supplier, and currently has a 22 percent share of the Australian import market. Transport equipment, chemicals, paper and paperboard, synthetic resins and plastic materials have accounted primarily for the very substantial increase of U.S. exports to Australia.

Enhanced position

Several revaluations of the Australian dollar, coupled with a world monetary realignment and Australia's 25 percent reduction of its import tariff last July, should further strengthen the competitive position of U.S. exports. Gradual elimination of British preferences should also enhance the U.S. position.

AUSTRALIA's chief imports from U.S.: machinery, transport equipment, chemicals, scientific and professional instruments, plastics, textiles.

U.S. direct investment in Australia exceeds $5 billion.

Although the future Australian investment climate is expected to be less favorable than that of the 1960's, Australia's resources and the level of development demanded by the economy and society will probably provide opportunities for foreign capital, and the management and technology generally accompanying it.

Excellent possibilities

There will be excellent possibilities for U.S. businessmen to enter or strengthen their position in the Australian market in 1974.

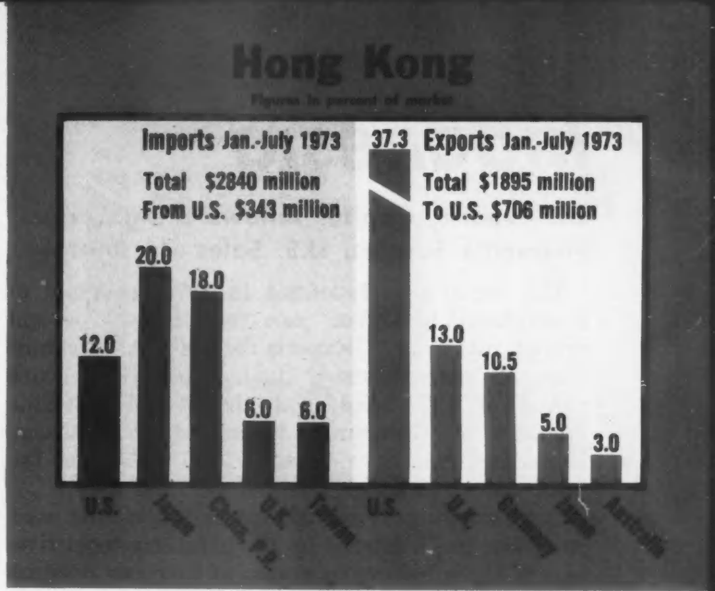
Attractive opportunities continue for U.S. exporters of high technology and capital goods (computers, business machinery, instrumentation and materials handling and packaging equipment). Particularly good possibilities also include consumer appliances, furniture, sporting goods, toys, clothing, medical equipment, books, tools, auto accessories and textile products.

The U.S. Trade Center in Sydney provides assistance in sales efforts through its schedule of exhibits featuring specific product lines, as well as individual promotions tailored to a particular firm.

Hong Kong

Vigorous Economy Spurs U.S. Exports; Continuing GDP Growth Expected In '74

U.S. exports to Hong Kong scored a 46.5 percent advance in the first nine months of 1973 and probably exceeded $600 million for the year. Continuation of this performance in 1974 depends on the maintenance of competitiveness of U.S. products, the supply of raw materials, and aggressive marketing by U.S. firms. The buoyant Hong Kong economy and the successful establishment of quality differentials for many of the Colony's products has also contributed to this encouraging performance, Harry Stringer of Commerce's Office of International Marketing reports.



The Colony's Gross Domestic Product was expected to grow 7 percent in real terms in 1973 to $4.5 billion; a similar growth is expected in 1974. Bank deposits for the first half of 1973 totaled $4.8 billion; 13 percent higher than the first half of 1972. Registered industrial employment reached a new peak of 635,000.

Costs are climbing

Hong Kong's Consumer Price Index rose by 26 percent between December 1972 and September 1973, with costs of many raw materials increasing by 30 to 100 percent over the same period. Climbing local costs, however, have not discouraged the influx of U.S. companies — indicating that the Colony's many business attractions such as low taxation, minimal government interference, and excellent communications are economically valid.

Total Colony imports for 1973 may have exceeded $4.7 billion with imports for the first half of 1973 running 22 percent higher than in the similar period of 1972. The U.S. market share, however, changed only slightly in the area of 12 percent. This modest change can possibly be attributed to U.S. shortages and lack of aggressive marketing by many U.S. firms. Sales of U.S. textile machinery, plastic raw materials, and textile fibers increased in 1973 but not sufficiently to meet demand. Raw cotton sales, however, after declining in 1972, were expected to exceed 300,000 bales in 1973. Electric machinery and appliances, unset diamonds and other precious and semi-precious stones as well as electronic components for assembly in Hong Kong show significant gains.

Owing to short local supplies and the effect of the U.S. dollar devaluation, there is keen interest in U.S. fabrics. Shipments in the first half of 1973 were 20 percent higher than in 1972. The market for processed food, electronic machinery and components, and diamonds should continue this expansionary trend through 1974. The Hong Kong construction boom offers opportunities for sales of construction supplies and equipment, hotel supplies, and materials handling equipment. Promotion efforts have resulted in a breakthrough for substantial sales of U.S. consumer goods in the Colony's local consumer goods market. Extensive public works programs such as Hong Kong's mass transit system provide opportunities for the export of engineering and design services. Construction of a polystyrene plant will begin in 1974 and erection of a nuclear power plant is being considered because of the oil crisis.

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The Colony's laissez-faire policies, political stability, and excellent support facilities are its biggest attraction. With over 500 firms and an estimated total investment approaching $500 million, the U.S. has the largest bloc of foreign investment in the Colony. The Hong Kong Government is seeking investment in the medium and high technology range, recognizing that light manufactures hold little promise for extensive expansion.

Hong Kong's continuous trade deficit ($300 million in the first half of 1973) is amply covered by invisible earnings and other capital inflows. Official and bank exchange reserves are estimated to exceed $2 billion.

Trade promotion activities in 1974 will include a trade mission to Hong Kong and Manila to promote building products and construction equipment, a food processing and packaging catalog show, and a printing and graphic arts catalog show, all sponsored by the U.S. Department of Commerce, followed by an incoming trade mission to the United States covering printing and graphic arts.

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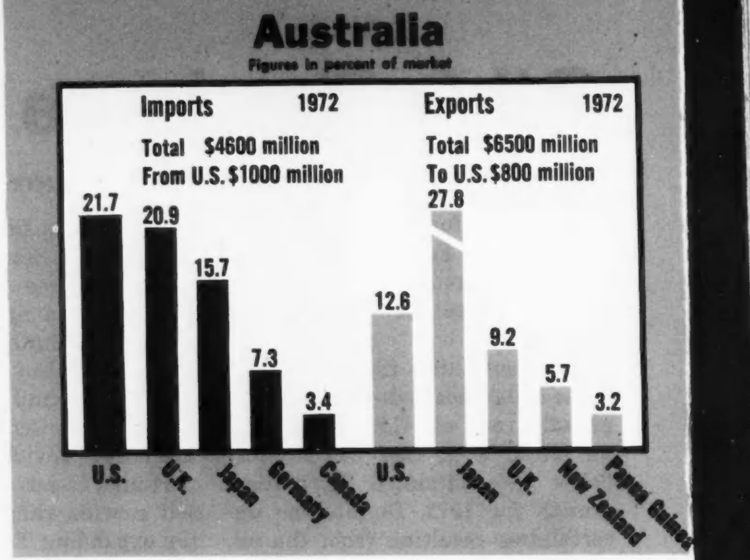

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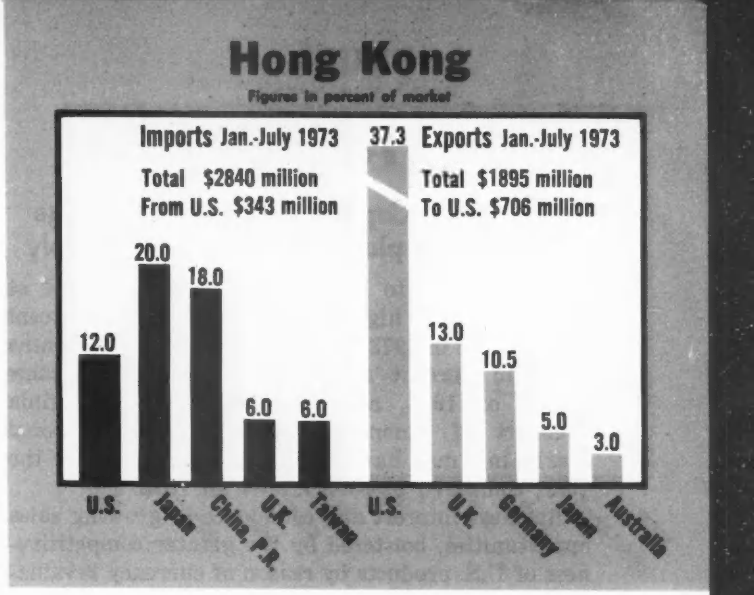

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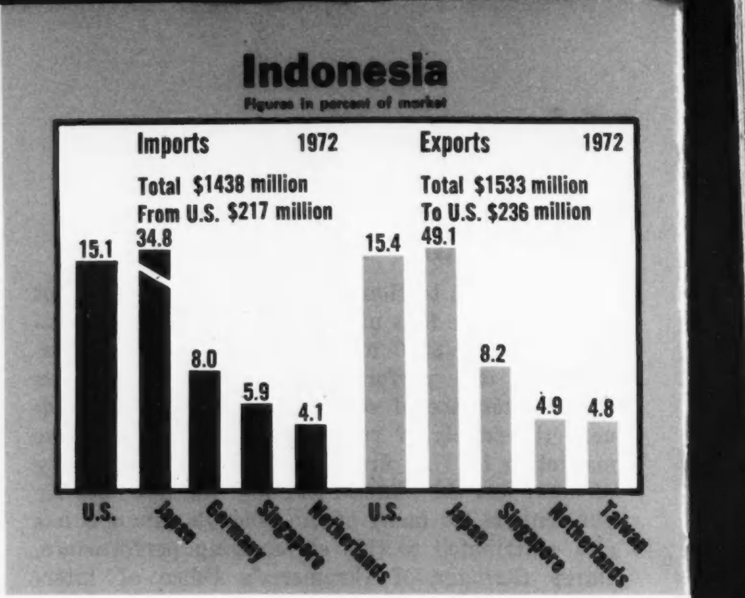
Indonesia

Oil Exports, Capital Inflows Bring Large Payments Surplus; U.S. Sales Up Sharply



U.S. exports to Indonesia in 1973 increased at a substantially higher pace than the 17 percent growth rate in 1972. Exports for the first 10 months were 45 percent above their level in the same period of 1972, and, according to M. Virginia Webbert of Commerce's Office of International Marketing, may have exceeded $400 million for the year, compared to $308 million in 1972.

Business interest and confidence in growing sales opportunities, bolstered by the greater competitiveness of U.S. products by reason of currency revaluations, create an extremely favorable export outlook. Contributing factors include Indonesia's fast-growing export earnings and continuing U.S. aid and investment.

The Inter-Governmental Group for Indonesia (IGGI)—12 donor countries and international agencies—has endorsed Indonesia's aid request of $850 million in 1974-'75 (fiscal year ending March 31), toward which the United States has pledged $233 million in food and non-food aid.

The major crop, rice, has recovered from its setback in 1972, though sizable food imports are still required. Oil, timber, and rubber exports rose sharply in value in 1973, due mainly to rising world prices. Crude oil output rose by 22 percent in 1973, oil export prices doubled, and gross export earnings rose by 60 percent.

Dramatic improvements

Dramatic improvements in the balance of payments resulted in an overall surplus of $425 million in 1972-'73. The widening deficit in goods and services, due mainly to increased imports at higher prices, was more than offset by direct investment of about $250 million and large capital inflows from foreign loans and grants. Net official reserves totaled about $850 million at the end of October. Balance of payments forecasts place the export level at $3.4 billion in 1973-'74, mainly from oil exports, and imports at over $3 billion f.o.b.

Indonesia pursues a conservative fiscal policy and balances the overall budget without recourse to the banking system. A variety of other factors, however, have recently caused severe inflation, and prices rose about 26 percent in 1973.

Second largest supplier

The United States is Indonesia's second largest supplier and had a market share of 15 percent in 1972 compared to 35 percent for Japan. In the first 10 months of 1973, U.S. exports of machinery totaled $101 million of the $344 million total; transport equipment, $30 million; and wheat products, rice, corn, and cotton, $138 million. U.S. imports of $388 million in the same period were 70 percent higher than in the comparable part of 1972, due mainly to increased oil and rubber imports ($182 million and $104 million, respectively).

Machinery and equipment for new growth sectors will provide major sales opportunities in forestry, petrochemicals, steel, and minerals development. To exploit large gas reserves, investment of $1.1 billion is planned for two liquefication (LNG) plants, to supply LNG to the United States and Japan. A $500 million aluminum complex is also in prospect.

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U.S. exhibitors may participate in an agricultural, construction, and building equipment show in Jakarta (USAQUIP '74), a major U.S. Government trade promotion event in the spring of 1974.

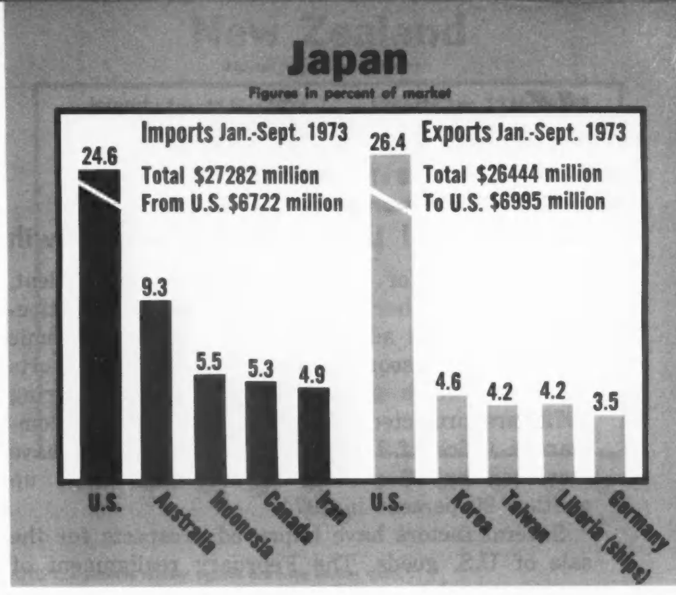
A new five-year development plan to begin April 1 will create additional sales opportunities to meet targets for improved physical and social infrastructure. The real growth rate in GNP is to be 7-8 percent annually, compared to the present 6-7 percent.

Investment policy

Indonesia continues to welcome foreign investment but will scrutinize new contracts more carefully and may reassess the conditions for investment. Labor intensive projects and those in high technology fields are especially welcome. The United States is still the largest foreign investor in Indonesia and continues to predominate in new and old oil contracts. Japan is becoming increasingly active, however. Of $2.1 billion in non-oil contracts signed between 1967 and mid-1973, Japanese investors had $468 million compared to $462 million for the United States.

Japan

Oil Squeeze May Slow U.S. Exports As Economy Begins To Sputter



The Japanese juggernaut has begun to sputter, with some industrialists moaning that "the economic miracle is over". Without doubt, reports Art Miyakawa of Commerce's Office of International Marketing, Japan is caught in a petroleum squeeze. U.S. exports to Japan, which totaled an estimated $8.1 billion or about 25 percent of total Japanese imports last year, may be hurt seriously with the outlook indicating only limited increases in 1974.

With energy reduced by 10 percent in December and a further mandatory 15 percent reduction scheduled for January, the major basic industries including automobiles, cement, chemicals, petrochemicals, and steel are already suffering from shortages.

Industrial production may fall as much as 30 percent in the next four months leading to reduced exports and zero GNP growth for January-March. A minus 5 percent real growth for 1974 is expected should the fuel problem remain. The all-important steel industry, for example, had only an 18-day supply of raw materials, while the automobile industry sees reduced production. Given these conditions, the continued rapid expansion of U.S. exports to Japan is questionable.

Japan's real GNP equaled $300 billion (nominal) in 1972 and an estimated $350 billion in 1973. While no official forecast is available for 1974, with both wholesale and retail prices rising more rapidly each month, nominal GNP could actually show a significant growth to $490 billion in contrast to the expected negative real growth.

Consumer prices are expected to rise about 13 percent and the wholesale price index, which is 20 percent above a year ago, is expected to continue upward. Due to shortages, rumors, commodity speculation, and some profiteering, retail prices on some 1,200 items jumped more than 20 percent in the past month.

Domestic inflation makes U.S. products more competitive, and U.S. pressure, together with the Japanese desire to reduce the surplus in the balances of trade and payments to more reasonable levels, resulted in a complete performance reversal. The top exporter in Asia suddenly began importing significantly larger amounts and Japan's 1973 balance of trade is expected to show a significant deficit.

Executives worry

Business confidence is lacking and the free spending industry leaders are beginning to realize the seriousness of their plight and have momentarily, at least, become an organization of worried executives. Furthermore, Government planning assumes that Japan's economic emergency will continue through 1974 and, according to a Government official, "Japan is facing its most serious setback since World War II, with the situation becoming more and more serious."

In addition to large export increases in agricultural and forestry products and basic raw materials last year, U.S. suppliers of data communications equipment, air and water pollution control equipment, analytical testing instruments, input/output computer peripherals, and electronic products were more successful than before in selling to Japan. Such consumer items as leisure time wear, housewares, and processed foods are expected to see continued sales growth despite industry and government pessimism.

JAPAN's chief imports from U.S.: logs and lumber, soybeans, corn, chemicals, electrical machinery, ores and scrap.

The combined effect of the exchange realignment and unilateral Japanese tariff reductions, therefore, was beginning to show results, as evidenced by the 70 percent 1973 increase in United States exports.

Japan's balance of payments position has changed dramatically since the last quarter of 1972 and forecasts by both the Economic Planning Agency and the Japan Economic Research Center (JERC) indicate deficits exceeding $8 billion for 1973. For 1974, early forecasts by JERC indicate a negative basic balance of payments of $10 billion.

Japan's reserve holding has also declined from about $19 billion to $14 billion during 1973 due to the Government's policy of accelerating imports and curbing exports. Reserves are still adequate and represent slightly more than four months of the 1974 import target of $38 billion.

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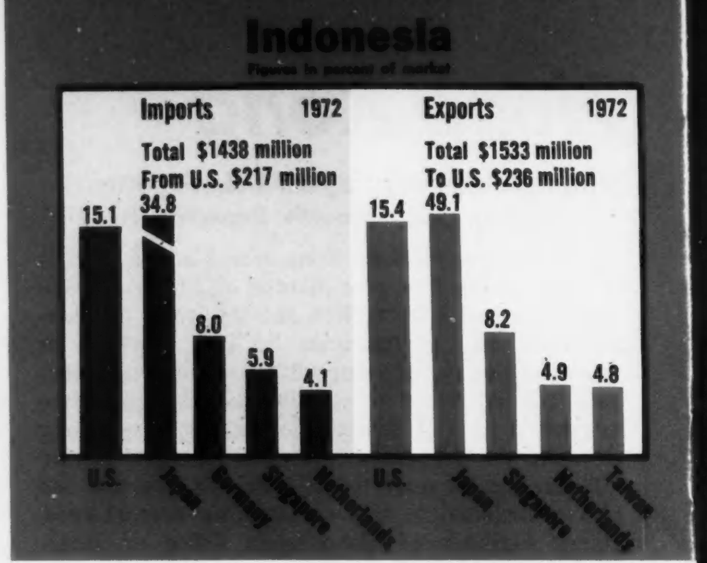

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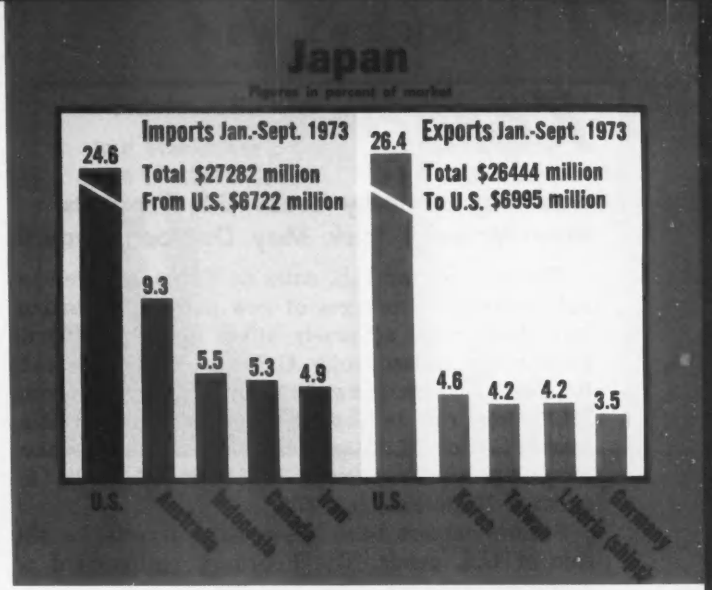

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Consumer prices are expected to rise about 13 percent and the wholesale price index, which is 20 percent above a year ago, is expected to continue upward. Due to shortages, rumors, commodity speculation, and some profiteering, retail prices on some 1,200 items jumped more than 20 percent in the past month.

Domestic inflation makes U.S. products more competitive, and U.S. pressure, together with the Japanese desire to reduce the surplus in the balances of trade and payments to more reasonable levels, resulted in a complete performance reversal. The top exporter in Asia suddenly began importing significantly larger amounts and Japan's 1973 balance of trade is expected to show a significant deficit.

Executives worry

Business confidence is lacking and the free spending industry leaders are beginning to realize the seriousness of their plight and have momentarily, at least, become an organization of worried executives. Furthermore, Government planning assumes that Japan's economic emergency will continue through 1974 and, according to a Government official, "Japan is facing its most serious setback since World War II, with the situation becoming more and more serious."

In addition to large export increases in agricultural and forestry products and basic raw materials last year, U.S. suppliers of data communications equipment, air and water pollution control equipment, analytical testing instruments, input/output computer peripherals, and electronic products were more successful than before in selling to Japan. Such consumer items as leisure time wear, housewares, and processed foods are expected to see continued sales growth despite industry and government pessimism.

JAPAN's chief imports from U.S.: logs and lumber, soybeans, corn, chemicals, electrical machinery, ores and scrap.

The combined effect of the exchange realignment and unilateral Japanese tariff reductions, therefore, was beginning to show results, as evidenced by the 70 percent 1973 increase in United States exports.

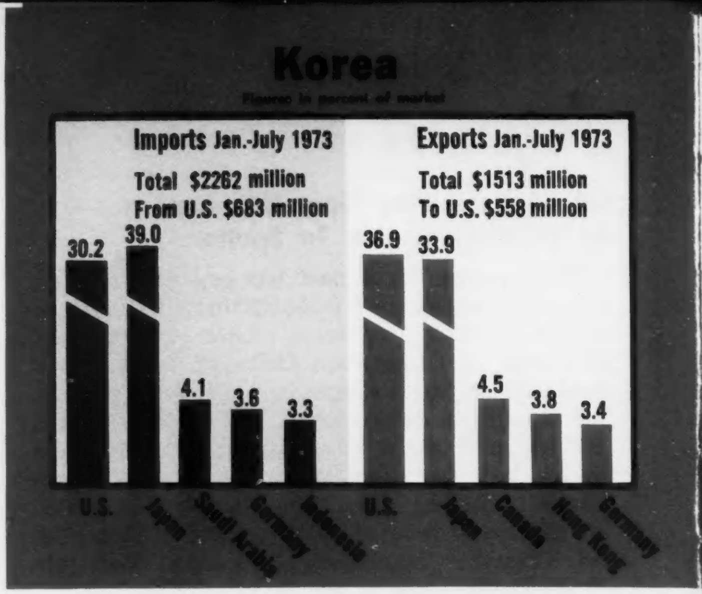
Japan's balance of payments position has changed dramatically since the last quarter of 1972 and forecasts by both the Economic Planning Agency and the Japan Economic Research Center (JERC) indicate deficits exceeding $8 billion for 1973. For 1974, early forecasts by JERC indicate a negative basic balance of payments of $10 billion.

Japan's reserve holding has also declined from about $19 billion to $14 billion during 1973 due to the Government's policy of accelerating imports and curbing exports. Reserves are still adequate and represent slightly more than four months of the 1974 import target of $38 billion.

Korea

Booming Economy Seeks U.S. Products; Raw Material Lack May Dampen Growth

The outlook for U.S. sales to Korea is excellent, but prolonged shortages of raw materials, particularly fuel, could adversely affect Korea's economic growth and, consequently, U.S. exports. U.S. exports to Korea, which grew by only 8 percent during 1972, are projected by Carol A. Murray of Commerce's Office of International Marketing to have increased by 39 percent in 1973 and to go up another 20 percent in 1974.



Several factors have improved prospects for the sale of U.S. goods. The February realignment of currency exchange rates was successful in making U.S. products more competitive vis-a-vis Japan. Modernization of light industry and the large-scale development of shipbuilding, steel and other heavy and petrochemical industries provide significant new opportunities for the sale of U.S. capital goods and manufactured products.

Most importantly, in an effort to switch as many imports as possible away from Japanese sources, the Korean Government is actively encouraging its businessmen to buy American products. As evidence of this new policy, it recently sponsored a purchasing mission to the United States which resulted in possible sales of $700 million.

Korea's economy expanded more rapidly than expected in 1973. GNP grew by 7.1 percent in real terms in 1972 due to an economic slowdown, but is estimated to have grown a record 16-17 percent in 1973 due to dramatic export expansion and a domestic investment boom. Development plans call for an average annual increase of 9 percent from 1974-'76 and 11 percent from 1977-'81. These favorable developments are threatened by possible shortages of raw materials required for developing industries and the uncertainties of foreign demand for Korean exports.

Record export gains of more than 50 percent in the last two years helped to reduce Korea's chronic merchandise trade deficit from a high of $1,046 million in 1971 to about $625 million in 1973.

Gold and foreign exchange reserves, which were $698 million at the end of 1972, increased to nearly $1 billion in 1973.

Japan remains Korea's leading supplier with a market share of 39 percent in the first seven months of 1973, a decline, however, from its 1972 percentage. The U.S. market share rose in the same period from 27.7 percent to 30.2 percent. Total Korean imports, which increased by only 5.3 percent in 1972, are estimated to have increased by about 70 percent during 1973.

A new high-growth plan based on a shift to heavy industry has been developed for the 1973-'81 period. To achieve the targets of $10 billion in exports and $1,000 per capita GNP by 1981, the plan calls for $10 billion (1970 dollars) investment in the heavy and chemical industries. Sales prospects for raw materials and capital goods needed for these growing industries appear most promising.

With 60 percent of the required capital expected to come from abroad, investment potential in these areas is also high.

KOREA's chief imports from U.S.: food grains, aircraft, electronic components, raw cotton, non-electric machinery, iron and steel scrap.

Good opportunities exist as well for sales and investments which contribute to Korea's export capacity. Best sales prospects include: textile machinery, scientific and medical instruments, materials handling equipment, shipboard equipment, machine tools and metalworking equipment, and industrial raw materials such as plastic materials, textile fibers, raw cotton and sawlogs. Aggressive sales efforts, locating a good agent, and good financing terms should result in high sales.

The availability of U.S. Export-Import Bank credits offers support to American suppliers interested in selling to Korea. In recent years there has been a sharp rise in the use of these credits. Since June 30, 1972 more than $210 million of Eximbank-supported credits have been authorized and an equal amount of preliminary commitments have been requested. The recently established permanent U.S.-Korea Economic Council serves as another means of support for U.S. businessmen.

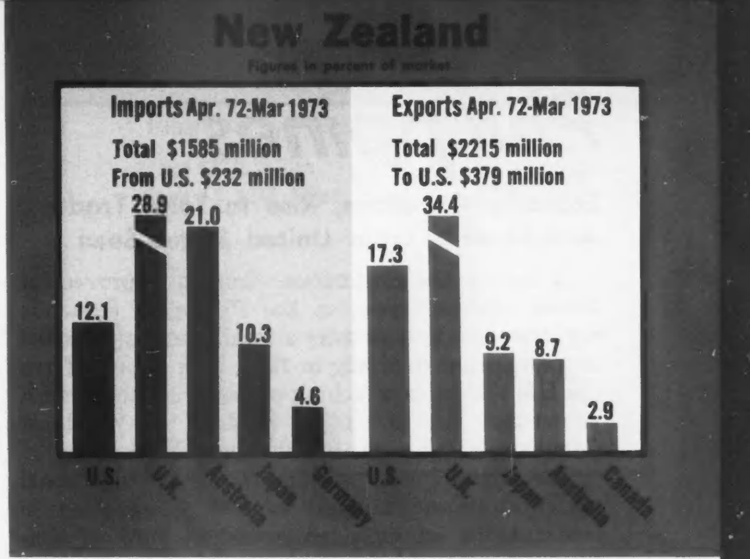
Upcoming U.S. trade promotion activities in Korea include an exhibition of marine electronics equipment to open the new U.S. Trade Center in Seoul in March, and a shipboard engineering equipment trade mission in April.

New Zealand

Strong Level Of Economic Growth Produces Surge In Import Demand

The New Zealand economy, currently very buoyant, should experience continued strong demand from business and the consumer. Some doubt exists, however, that the present rate of growth can be sustained over the long term, according to Nancy Keely of Commerce's Office of International Marketing.

U.S. exports to New Zealand during January-October 1973 totaled $196.8 million, a sharp upward turn from $110.3 million for the same period of 1972. The outlook for increased U.S. exports to New Zealand during 1974 is excellent.



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Although the New Zealand economy is expected to remain vigorous, the high levels of liquidity and a credit squeeze may be imminent. In addition, shortages of labor and materials, first evident in the building sector, are becoming more widespread.

On the brighter side, for the U.S. exporter, are New Zealand's industrial expansion, growing consumer affluence, and severe shortage of goods despite the increasing number of factories reaching full production capacity—all of which should provide a strong impetus for imports in 1974.

Foreign exchange holdings reached a record of $1.5 billion by June 1973. The high rate of increase may, however, taper off as imports increase. For the year ending March 1973, New Zealand's total imports reached about $1.6 billion and its exports $2.2 billion — up from $1.4 billion and $1.8 billion, respectively, for the same period of the preceding year. An increase of 27.5 percent for imports has been forecast for 1974. Rises in both imports and the deficit for invisibles are expected to transform the currently strong balance of payments into a NZ$115 million deficit for fiscal '74.

Inflation continues as an acute problem, with the Consumer Price Index rising 5.2 percent during the first half of 1973. Nonetheless, for the year ended March, the GNP, in current prices, has been estimated at $9.6 billion (a real growth rate of 3.5-4 percent, compared to 2.5 percent for the previous year). A real growth of about 5.5 percent has been forecast for the year ending March 1974.

Business confidence is evident in many sectors of the economy. However, rising interest rates, as well as the impact of government measures and other forces in the economy to reduce liquidity, could create a dampening effect on the economy sufficient to cause some decline in business confidence. Some observers have indicated that certain larger organizations, principally manufacturers and investment entities, may delay plans for large capital investment.

A strong offsetting factor to the possible effects of tighter liquidity would be export earnings, provided they retain their high levels in the coming year. In addition, certain measures such as company tax reductions and an expansionary budget could well help maintain business confidence and support the economy.

The increase in New Zealand's imports from March 1971 to March 1973 averaged slightly over 17 percent, while the average increase for imports from the United States during this period was 37 percent. Following the United Kingdom and Australia, the United States is New Zealand's third largest supplier, with a market share of about 12 percent.

NEW ZEALAND's chief imports from U.S.: aircraft and parts, internal combustion engines, textiles, chemicals, tobacco, motor vehicles and parts.

Reductions in the value of the U.S. dollar vis-a-vis the New Zealand dollar, as well as the phasing out of preferential tariff rates accorded by New Zealand to British imports, should help improve the competitiveness of U.S. exports. U.S. exporters should also benefit from the substantial increase of import licenses granted, in part to relieve acute domestic shortages, particularly of capital equipment and scarce consumer goods.

The outlook is especially favorable for U.S. sales in heavy plant and equipment, labor-saving machinery (both agricultural and industrial), automated systems, computers, construction materials and equipment, and equipment relative to pollution control, natural gas, and tourism. Additionally, the steadily rising income of New Zealanders will provide a growing market for consumer goods.

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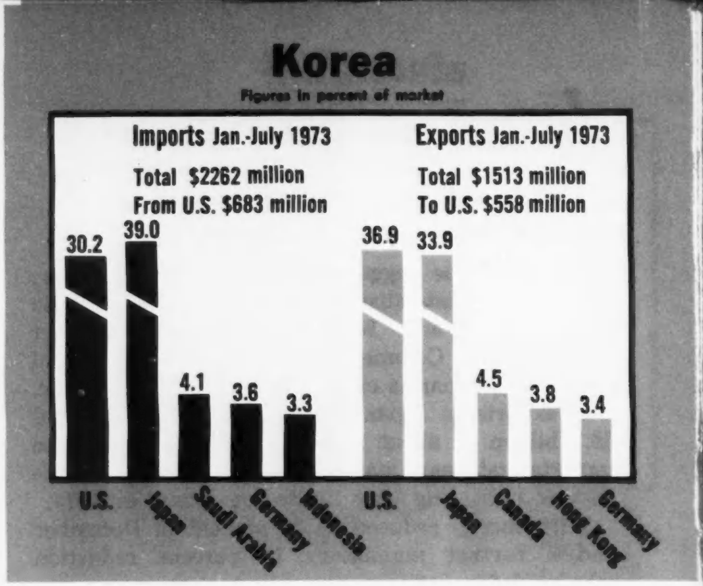

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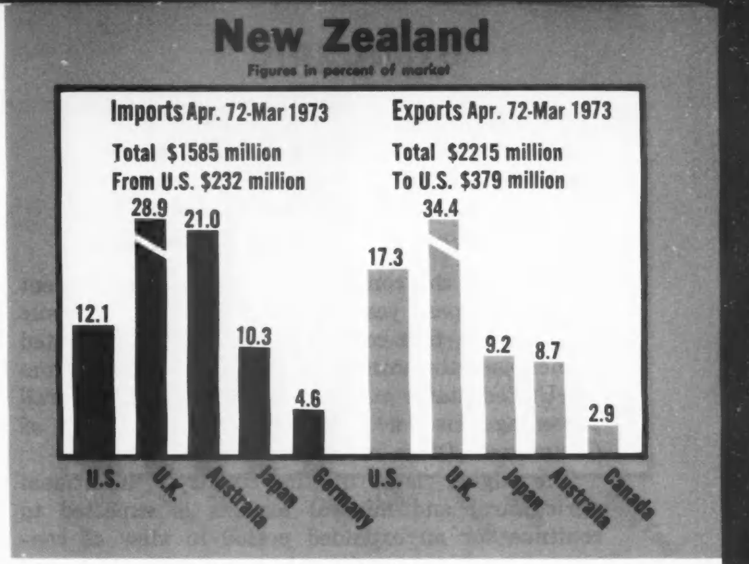

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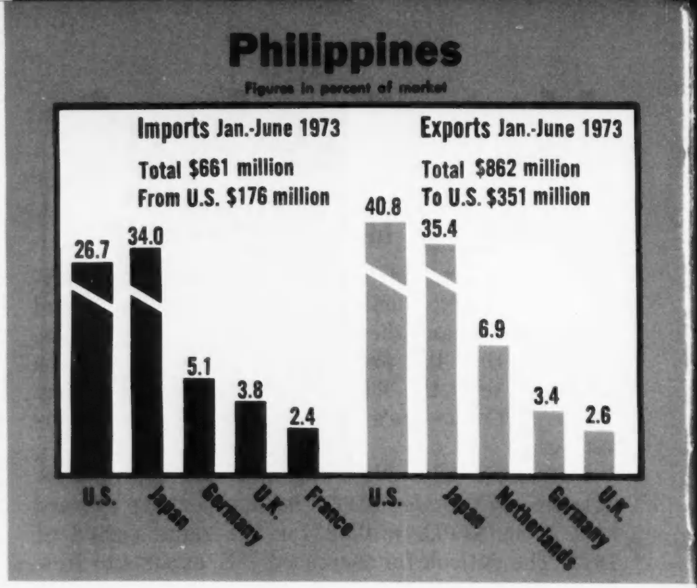
Philippines

Economy On Move; Rise In Total Trade And Imports From United States Seen



Reflecting the continuous vigorous improvement during the past year in the Philippine economic performance, that country's total trade is expected to increase substantially in 1974, with imports from the United States matching or bettering the overall percentage rise, according to John E. Walsh of Commerce's Office of International Marketing.

The higher level of the country's traditional agricultural and mineral exports is expected to continue for an extended period in view of continuing world commodity shortages, although some prices may soften.

There are also improved prospects for manufactured exports, one of the government's prime goals. The current and prospective buoyancy of business activity is expected to lead to greater imports of producer goods as well as consumer items not on the banned list.

Real GNP increased at the rate of 7.9 percent during the first six months of 1973, to $2.89 billion. Manufacturing led all sectors in performance, registering an impressive growth of 13.9 percent. The combined agriculture-fishery-forestry sector showed major improvement, following the disastrous July-August floods in 1972, with a rate of increase of 9.3 percent. The new Four-Year Development Plan (FY 1974-'77) sets targets of 6.5 percent GNP growth in FY 1974, rising to 7.5 percent in 1977 at constant prices.

The country's international reserves reached an all-time high of about $800 million in November 1973, as contrasted with previous levels of $137 million in February 1970 when the peso was floated and $266 million when martial law was imposed in September 1972. The current level is equivalent to about seven and a half months of the country's import requirements.

The country experienced a slight moderation in its rate of inflation, with consumer prices in Manila as of the end of June up by only 9 percent compared with the corresponding year-ago level.

Philippine imports increased 9.2 percent in the first six months of 1973, to $661.8 million (f.o.b.), slightly less than the 10.5 percent increase in the comparable 1972 period. Imports from the United States in the same period increased 15.6 percent, to $176.8 million, thereby increasing our share-of-market position from around 25 percent to 26.7 percent.

Philippine exports in the first half of 1973 reached $862.2 million, up a huge 64.3 percent largely because of the favorable world prices factor. During the same period Philippine exports to the United States, still its largest customer, were $351.9 million, a level 70.5 percent higher than that in the preceding period.

Key sales factor

Financing will continue to be a key factor in many sales. Philippine Government insistence on long-term financing, including lengthy grace periods, may force buyers to turn to those areas where acceptable financing can be arranged from government and private sources.

PHILIPPINES' chief imports from U.S.: non-electric machinery, wheat, electrical machinery, transport equipment, raw cotton, miscellaneous chemicals and products.

The very substantial increase in government infrastructure expenditures and expected expansion of both public and private investment in agriculture, industry, manpower and other social development will offer expanding prospects for U.S. exports. The self-reliance defense program, also to be promoted with the government's higher budget resources, will offer additional sales possibilities in this field.

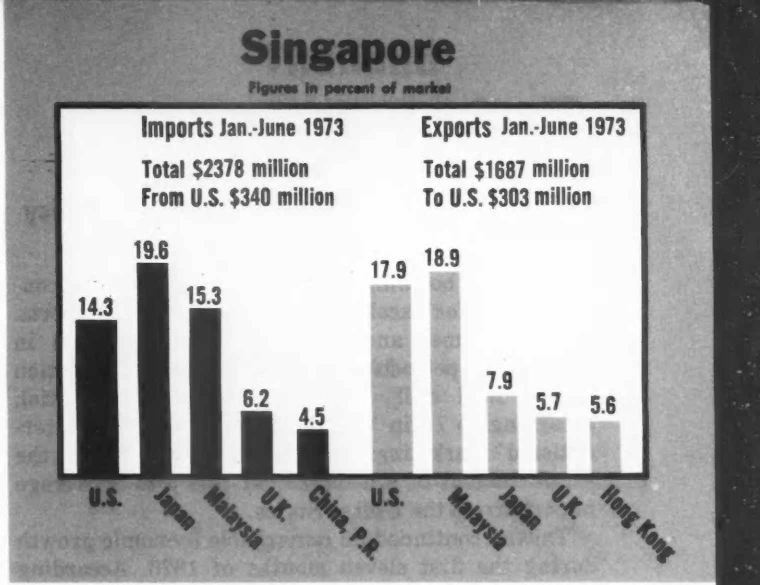
Projected expansion

In the public sector there will be opportunities for U.S. exports arising from the projected expansion of electrical generating and distribution facilities (including AID-supported rural electrification), telecommunications services, railways, road construction, and civil air and other transport facilities.

With the termination of the Laurel-Langley Agreement now less than six months away, preliminary moves have been made to begin negotiations for a continuing economic relationship reflecting long-term trade and investment interests of both governments. U.S. proposals for an agreement that would govern future economic relations with the Philippines currently are under review by the Philippine Government.

Singapore

U.S. Becomes Country's Second Most Important Trading Partner



Reflecting increasing U.S. investment, the United States is now Singapore's second largest trading partner, ahead of Japan and behind Malaysia. Further growth of investment and trade is expected as Singapore develops into one of Southeast Asia's most mature trading nations, reports Lee Barnes of Commerce's Office of International Marketing.

The decline in importance of Singapore's entrepot trade function has been more than offset by the growth of local manufacturing. In 1972, exports from this sector increased 24 percent over the previous year, generating a 14.5 percent gain in total exports. For the first six months of 1973, total exports were $1,687.6 million—a 41.7 percent increase over the same period in 1972.

Gold and foreign exchange reserves increased to $2,533.6 million by June 1973. Preliminary GNP figures for 1972 indicate a 13 percent increase, at current prices, to $2,837.8 million.

Considering the possibility of a worldwide economic slowdown, resulting from the current energy crisis, 1974 should see Singapore's high level of economic activity continue at a slower rate. Nevertheless, business confidence remains high.

The number of manufacturing establishments increased 6 percent and employment for this sector grew by 24 percent in 1972. Manufacturing value-added went up 17 percent. Completed construction for 1972 was valued at $197.8 million, a 36.4 percent increase over 1971. Earnings from the tourist industry were up 21.4 percent to $142.5 million.

Recent currency revaluations, the effects of which have already been noticed, will improve the U.S. exporter's competitive position in Singapore. About $3,382 million worth of goods were imported into the country in 1972; 14 percent, $480 million, came from the United States. With the introduction of increasingly capital-intensive industries, as a result of the government's "quality not quantity" policy, the amount of U.S. equipment desired will undoubtedly rise.

To complement the thriving commercial and manufacturing activities, one of the priorities in economic development is to extend the scope of the country's growing financial industry and to create a sophisticated international finance center.

Income tax on interest earned from offshore loans made by Singaporean banks has been reduced from 40 percent to 10 percent. Singapore now has 44 commercial banks and 11 bank consortiums; 27 foreign banks, nine American, have representative offices in the country.

Sharp price increase

A sharp increase in prices in the last two months of 1972 and 1973 necessitated a nine percent increase in government wage guidelines. The official government Consumer Price Index (CPI) registered an increase of 5.6 perecnt in 1972. During 1973 the rate accelerated. This inflation is viewed by Singaporeans as particularly alarming, as the country had enjoyed amazing price stability from 1960 through 1971, when the CPI rose only 13.6 percent in the 12 years. Despite the larger-than-expected wage figure, the government has emphasized that over the long run, productivity and wages must go hand-in-hand, and pay will go up only at a steady, controlled pace.

Manufacturing continues to be dominated by petroleum refining, which accounts for about one-third of the total output of the sector. This area of the economy could be hard hit if the current petroleum situation continues.

When present petroleum refinery expansion is completed by the end of 1974, Singapore will have become the third largest refining complex in the world, with a capacity of more than one million barrels per day. Should reductions in the supply of petroleum continue, this sector of the economy will be extremely hard hit.

With the opening of the new U.S. Regional Trade Center in Singapore, excellent facilities are now available to U.S. firms for promoting their products in Singapore's marketing area. Trade shows on aviation ground support equipment and electronics will be held in 1974, as well as several trade missions and catalog shows.

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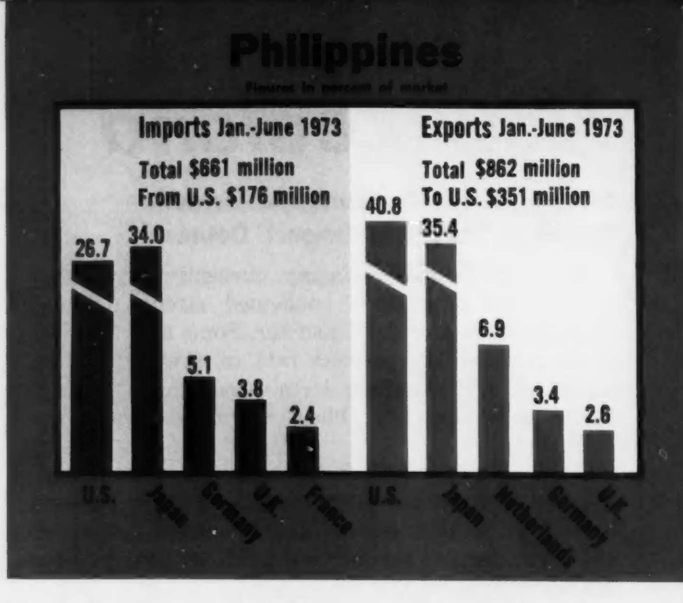

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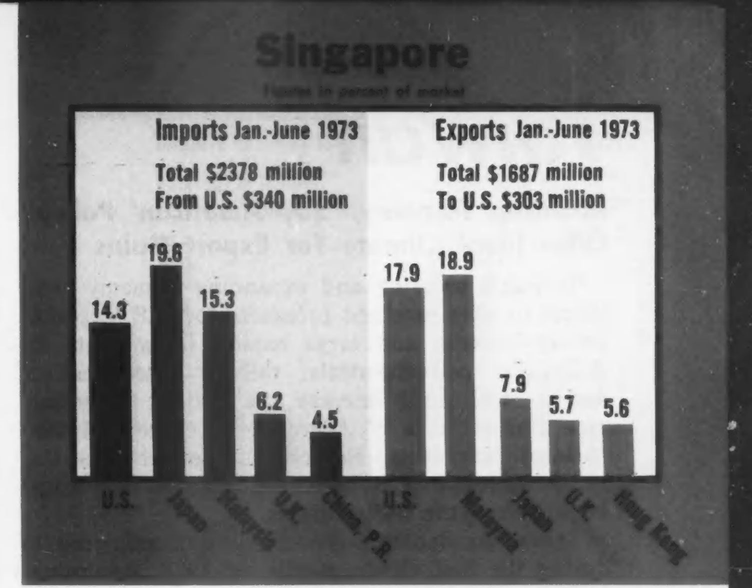

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A sharp increase in prices in the last two months of 1972 and 1973 necessitated a nine percent increase in government wage guidelines. The official government Consumer Price Index (CPI) registered an increase of 5.6 perecnt in 1972. During 1973 the rate accelerated. This inflation is viewed by Singaporeans as particularly alarming, as the country had enjoyed amazing price stability from 1960 through 1971, when the CPI rose only 13.6 percent in the 12 years. Despite the larger-than-expected wage figure, the government has emphasized that over the long run, productivity and wages must go hand-in-hand, and pay will go up only at a steady, controlled pace.

SINGAPORE's chief imports from U.S.: industrial machinery, electrical machinery and apparatus, power generators, fertilizers, aircraft, metalworking machinery.

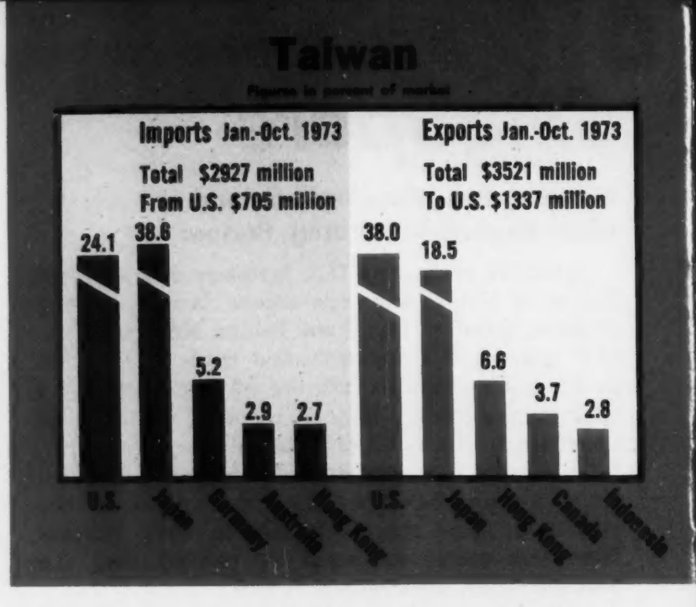
Manufacturing continues to be dominated by petroleum refining, which accounts for about one-third of the total output of the sector. This area of the economy could be hard hit if the current petroleum situation continues.

When present petroleum refinery expansion is completed by the end of 1974, Singapore will have become the third largest refining complex in the world, with a capacity of more than one million barrels per day. Should reductions in the supply of petroleum continue, this sector of the economy will be extremely hard hit.

With the opening of the new U.S. Regional Trade Center in Singapore, excellent facilities are now available to U.S. firms for promoting their products in Singapore's marketing area. Trade shows on aviation ground support equipment and electronics will be held in 1974, as well as several trade missions and catalog shows.

Taiwan

Booming Economy, 'Buy American' Policy Offer Ideal Climate For Export Gains



Taiwan's booming and expanding economy continues to offer excellent prospects for U.S. exports. Rising incomes and large capital investments in shipyards, petrochemicals, railway electrification and a steel mill, increase the market potential, according to Irvin W. Lloyd of the Office of International Marketing. Especially noteworthy is the reinforcement of a Government policy to encourage imports from the United States.

Taiwan continued its remarkable economic growth during the first eleven months of 1973. According to Taiwan trade data, exports were valued at $4,042 million, an increase of 52 percent over 1972, and imports for the same period were up 48 percent to $3,341 million. Imports from the United States increased 63 percent, exceeding $800 million, nearing a 25 percent share of the market. In 1972 the U.S. share was 22.1 percent. Japan enjoys the major share of Taiwan's imports with 38 percent, a drop from 41 percent in 1972. The structure of Taiwan's imports underwent a change in 1973, with capital goods imports rising 52.7 percent. While these trends are marked by notes of caution due to possible shortages of petroleum, iron and steel scrap, raw materials for the plastics industry, and intermediate materials for the textile industry, there is nevertheless optimism on economic growth prospects in 1974. Domestic business confidence remains strong and there is continued foreign private investor interest, especially from U.S. firms.

Taiwan's burgeoning economy provides a market with high growth potential for sophisticated industrial, manufacturing and research equipment. The projected $9.4 billion GNP for 1973 is an increase of 12.3 percent in real terms over the year before. This record growth is led by the manufacturing sector, which grew by 21.6 percent in 1973. Current predictions place annual growth of the economy at around 11 percent, with GNP soaring to $11.7 billion by June 30, 1975.

In support of its continuing 'Buy America' policy, the Republic of China is sponsoring an exhibition in Taipei from March 25-31, at which about 90 U.S. firms will exhibit a wide range of industrial machinery, construction equipment, and medical and scientific instrumentation.

A highly successful promotion of U.S. consumer goods was recently held by a leading department store chain, the Far Eastern Department Stores, in Taipei, Taichung, and Kaohsiung. Taiwan has become a good market for many U.S.-produced consumer goods. Many items have recently been removed from the prohibited import list. The Ministry of Finance recently announced that import taxes for 36 categories of food and other basic consumer goods have been reduced by from 25 to 50 percent for a period of one year.

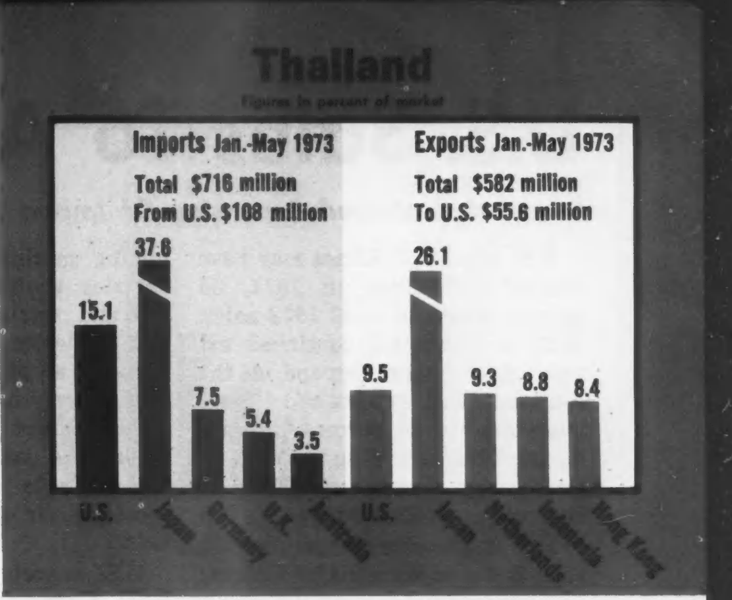
To further facilitate the efforts of American suppliers to increase sales and take advantage of the increased export opportunities in Taiwan, the U.S. Department of Commerce will open a Trade Center in Taipei March 22. Designed to provide a wide range of business services to the U.S. businessman desirous of marketing his products in Taiwan, the Trade Center will offer an on-going program of trade promotion events which will include exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show-promotions by American companies. Following the dedication of the Trade Center, at which U.S. firms already doing business in the Republic of China will display their products, a May 20-24 exhibition will feature U.S. industrial and scientific instruments. Other exhibitions will follow, with a printing and graphic arts catalog show in July, dockside and shipboard equipment in September, and business equipment in October or November.

TAIWAN's chief imports from U.S.: farm products (soybeans, cotton, wheat), electrical and electronic machinery and apparatus, non-electric machinery, textile materials, iron and steel scrap, transportation equipment.

Government emphasis on industrial expansion and investment in infrastructure offers U.S. contracting firms favorable bidding opportunities. Prospects for the sale of U.S. capital goods and services are particularly bright. Sales opportunities include machinery, transportation equipment, and materials handling equipment of all kinds, as well as industrial raw materials and food products.

Thailand

New Government Faces Gloomy Economic Prospects Despite Strong '73 Showing



Combine a new government and a wave of strikes with the effects of a worldwide energy crisis and the results seem to indicate a general downturn in Thailand's economy. The new government faces huge challenges within the first few months of its formation, which can only have a negative effect on the country's economic progress, as seen by the Office of International Marketing's Lee Barnes.

Overall economic activity in Thailand moved ahead sharply in 1973. Real growth in gross domestic product should exceed nine percent, in real terms, compared to 1972's disappointing 3.9 percent. Private investment in new plant and equipment, which began to pick up in 1972, was very strong in 1973.

Demand for U.S. exports should show a modest increase of some 10 percent, reaching the $232 million level by the close of 1974.

One of the most promising 1973 developments was the growth of manufacturing exports, especially textiles and cement. Textile exports more than tripled in value during the first half of the year as the industry graduated from its import substitution status to become internationally competitive. Continued growth in this sector will depend upon the availability of imported synthetics which in turn depends upon the petrochemical industry and the availability of oil. Imports are growing at about the same 15 percent rate as in 1972.

The trade deficit may increase by about a third over last year's $450 million. Tourism and capital inflow will be major factors in offsetting this trade deficit if they remain unaffected by the current situation.

The rise in the cost-of-living is a pressing current issue. The wholesale price index at the end of June was up 25 percent from a year earlier and the consumer price index for the Bangkok area was up 12 percent. This is a startling change for a country which had experienced relative price stability for over a decade. Workers, whose wages have not kept pace with the rising prices, have engaged in a rash of strikes demanding higher wages. American companies generally were not involved but banks have been included in the growing list of targets.

If Thailand can maintain its current level of export earnings, the position of American products in the Thai market should remain attractive. Thai buyers have long ascribed to American products high quality plus advanced technology and design. Now the essential element of price competitiveness, due to world currency realignments, has been added to a market already favorably inclined toward American products.

American suppliers of goods and engineering services should pay particular attention to Thai Government tenders on major projects, especially those financed by such international institutions as the World Bank and the Asian Development Bank, which are subject to international competitive bidding. Tenders will be released soon for a water system, airport, nuclear power plant, and many other projects.

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There is considerable interest in the purchase of such products as hospital and medical equipment, packaging machinery, plastics production machinery, and machinery for the production of paper and consumer durable goods.

Investment will slow

U.S. investment in Thailand will slow considerably during 1974. The Alien Business and Occupation Decrees have undoubtedly had some adverse effect on the investment climate, largely because of uncertainties in administration. At the same time many foreign investors, including several American companies, have found the incentives offered by Thailand's 1972 Investment Promotion Law very attractive. The problems resulting from strikes and general labor unrest should be short-lived, and while direct investment in Thailand should be considered carefully, it is worth investigating.

United States trade promotional events scheduled for 1974 include a catalog show on graphic arts, a technical seminar on food processing and packaging and an in-store promotion concentrating on consumer goods. Department of Commerce research indicates that each of these product areas has high sales potential.

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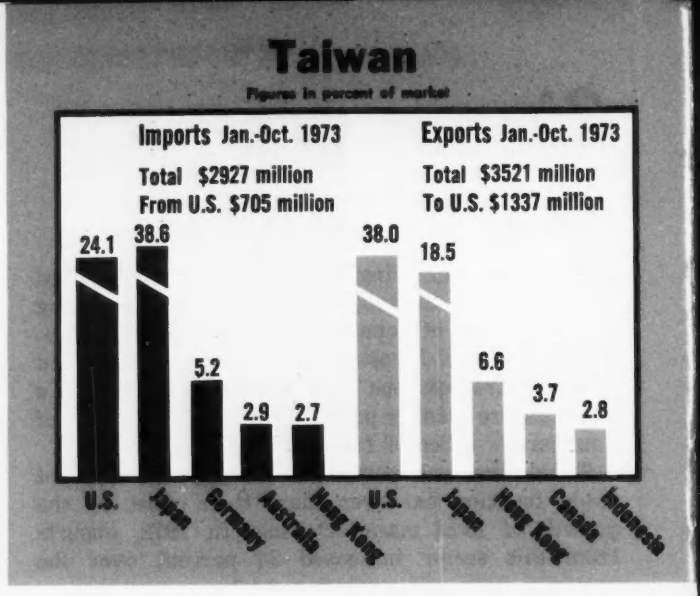

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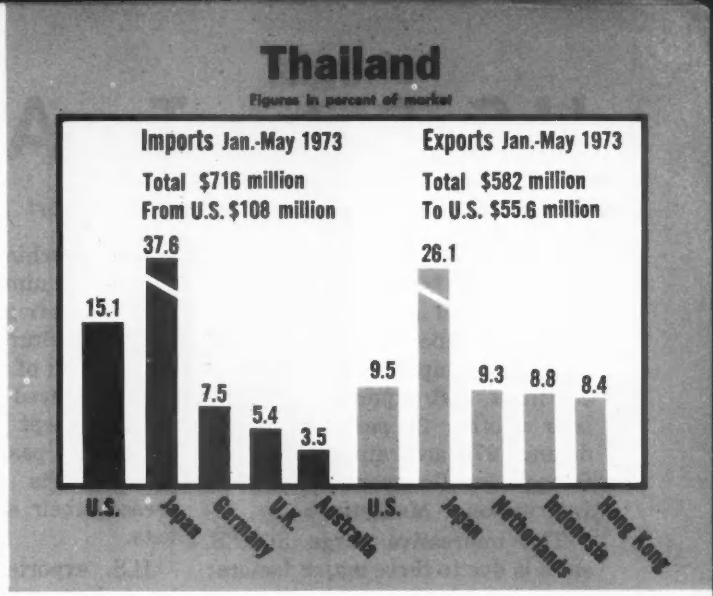

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U.S. Sales To Africa Accelerate

Expected Continued Expansion Of Import Demand Should Bring Further Rises in 1974

U.S. exports to Africa may have reached $2 billion in 1973, 34 percent ahead of total 1972 sales. With the expected continued expansion of import demand on the continent, U.S. exports should register another 20 percent increase during 1974, according to Frank A. Ocwieja of Commerce's Office of International Marketing.

The impressive surge in U.S. sales is due to three major factors: 1) improved price competitiveness of U.S. products following the recent exchange rate adjustments; 2) important progress on major industrial and infrastructure projects in Africa; and 3) heavy demand for U.S. agricultural products to supplant food shortages in the drought-stricken area of the Sahel, stretching across the continent south of the Sahara.

Steady growth

While the readjustment of the dollar's parity has helped U.S. exports around the world, its effect has been particularly strong in Africa because of the concurrent high world market prices for many of the continent's mineral and agricultural commodities. This favorable export earnings trend has contributed the push in foreign exchange resources necessary for accelerated economic development.

For the most part, the countries of Africa have settled down from the political tumult of the 1960's, and have entered an era of steady growth. Government expenditures on infrastructure projects and private investment in expanded petroleum and mining facilities have joined with high export prices to increase demand for capital equipment and consumer goods imports.

U.S. manufacturers have taken advantage of these trends to increase their exports of transportation equipment, construction and mining machinery, petroleum industries equipment, airconditioning and refrigeration equipment, and agricultural machinery. Imports by all of the ten major markets surveyed in the following pages, except Zambia, increased during the past year. In all cases U.S. exports maintained or increased their share of those markets.

U.S. exports should be stimulated during the coming year by the rapid growth rates of the economies of Ivory Coast, Nigeria, Zaire, and the reawakening of the Kenyan economy. South Africa's business boom will offer expanding U.S. sales opportunities, provided it is not heavily affected by oil shortages.

New development plans in Algeria and Morocco, and large internationally-financed projects in Tunisia and Sudan will give U.S. suppliers a crack at major contracts. New railroads in Gabon and South Africa and the refurbishing of the old line in Cameroon will spark significant orders for construction and transport equipment. Ethiopia and several other countries are encouraging U.S. suppliers to bid on projects to expand their telecommunications networks.

The intensified search for new sources of minerals, petroleum, and natural gas continues to generate demand for U.S. technology and equipment, especially in the Maghreb, off the West African Coast, and in Zaire, Zambia and Southern Africa.

New trade ties

Africa in the 1970's has begun to reorient and diversify its trading patterns away from the traditional ties with former colonial powers. Indigenization policies in many countries have entered a serious phase, resulting in greater government and private African influence on economic decisions.

For example, the large state enterprise movement in Algeria, the indigenization decree of Nigeria, and the official pressure to install African managers in commercial enterprises across the continent are generating a community of African businessmen of growing importance. This trend is opening up markets to new entrants, and U.S. firms will find a new receptivity to their offers of competitively-priced products.

For successful penetration, American exporters must be able to provide training and support for after-sales servicing, and should take advantage of the Foreign Credit Insurance Association to extend credit to their African customers. These techniques plus aggressive sales efforts will create the real alternative sources of supply sought by African importers.

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The Commerce Department is assisting U.S. exporters in Africa through a number of trade promotion events. In the coming months, trade missions are planned on mining equipment for Zaire, Zambia, and Botswana in April; on hospital/medical equipment for Algeria, Morocco and Tunisia in May; on printing and graphic arts equipment for Kenya, Nigeria, and Swaziland in August; and on agricultural equipment for Ethiopia, Kenya, and Sudan in October. Catalog shows on materials handling, hospital/medical, agricultural, and food processing and packaging equipment will also be held in several African countries this year.

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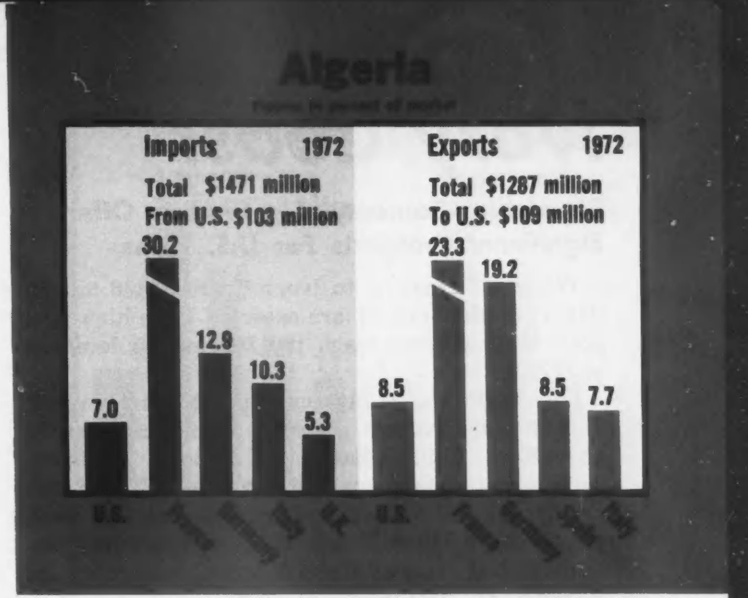
Algeria

Economic Growth, Expanding Imports Offer Promising Prospects To U.S. Firms



Major industrial and agricultural developments, rapidly expanding foreign trade, and large foreign exchange earnings make Algeria one of the two or three most important markets in Africa. U.S. exports to Algeria in 1973 may have exceeded $135 million, up from $103 million in 1972. The United States should continue to gain an ever-increasing share of this $2 billion import market, according to David Christensen of Commerce's Office of International Marketing.

The development of huge reserves of natural gas and the steady significant production of crude oil are providing export earnings for massive development undertakings as the country industrializes and modernizes. Many of Algeria's requirements are in precisely those areas where U.S. products and technology excel.

Surging economy

Algerian GDP jumped by 16.6 percent in 1972 to $6 billion or $430 per capita. Real GDP growth is expected to increase at 9 percent annually during the new Four-Year Plan (1974-'77). The new plan calls for a total of $13 billion in investments with heavy emphasis on industrial development, infrastructure and agriculture. Specific projects include food processing, textiles, housing, medical facilities, roads, harbors, irrigation and industrial expansion.

However, the petroleum and natural gas sectors will remain dominant. While crude oil is currently Algeria's most important export, Algeria's natural gas reserves are among the world's largest and are being developed with increasing intensity.

Contracts totaling over 50 billion cubic meters (1.5 trillion cubic feet) of liquefied natural gas (LNG) in annual sales have been negotiated with U.S. and European buyers. The Algerian Government will expend billions of dollars in the next decade on liquefication facilities, and related items in the implementation of these contracts, using specialized foreign expertise and equipment.

Algeria is a socialistic state and the Government dominates the key sectors of the economy through state enterprises. However, American and other foreign firms have generally experienced highly satisfactory commercial relations with Algerian state enterprises.

U.S. sales mount

Benefiting from reputations for quality, U.S. suppliers and consulting firms are obtaining an increasing share of the Algerian market. U.S. exports to Algeria in 1973 may have exceeded $135 million, nearly 40 percent over the 1972 figure of $103 million. The U.S. share of the Algerian import market reached 7.1 percent in 1973, compared to 6.1 percent in 1971.

Sales of U.S. agricultural commodities, transportation equipment, construction and mining machinery, mechanical handling equipment and pumps will continue to expand at a steady pace as the new development plan gets underway. Construction has begun on the large $1.9 billion LNG facility at Arzew with major Eximbank participation; purchases of specialized U.S. equipment and materials will mount rapidly.

ALGERIA's chief imports from U.S.: wheat, construction and mining machinery, aircraft, locomotives, fertilizers, mechanical handling equipment.

More competitive

Moreover, recent dollar devaluations have made U.S. goods much more competitive. Algerian tariff regulations are completely nondiscriminatory.

Specific product areas with the best potential for U.S. sales include: heating and cooling equipment; construction machinery; equipment for irrigation, livestock and poultry projects; pumps; mechanical handling equipment; medical equipment; locomotives; aircraft; scientific instruments; telecommunications equipment; computers; office machines, and trucks. Upcoming U.S. promotional activities for Algeria include a trade mission in hospital and medical equipment in May.

Since credit terms are very important, the availability of Eximbank funds could be a determinant in the competitive position of U.S. suppliers.

While Algerian exports still lag behind imports, rising prices on crude oil plus an influx of foreign loans and remittances from Algerian workers in Europe are expected to make up much of the difference.

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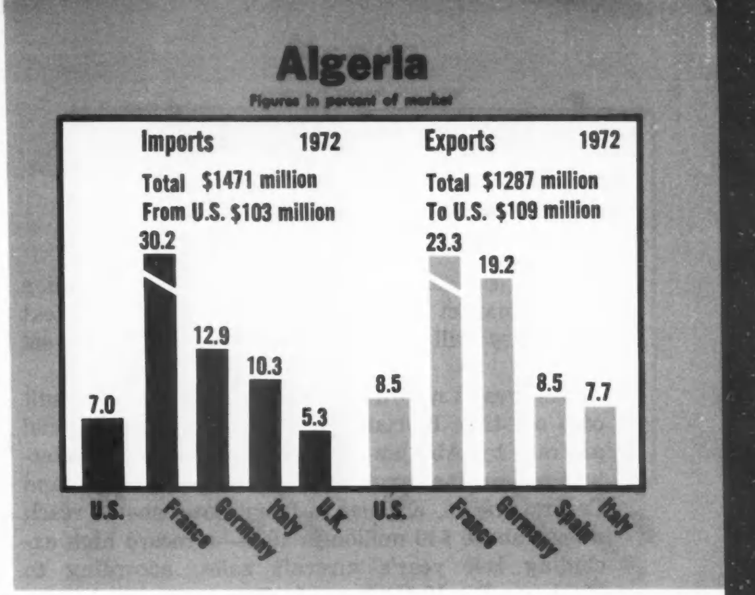

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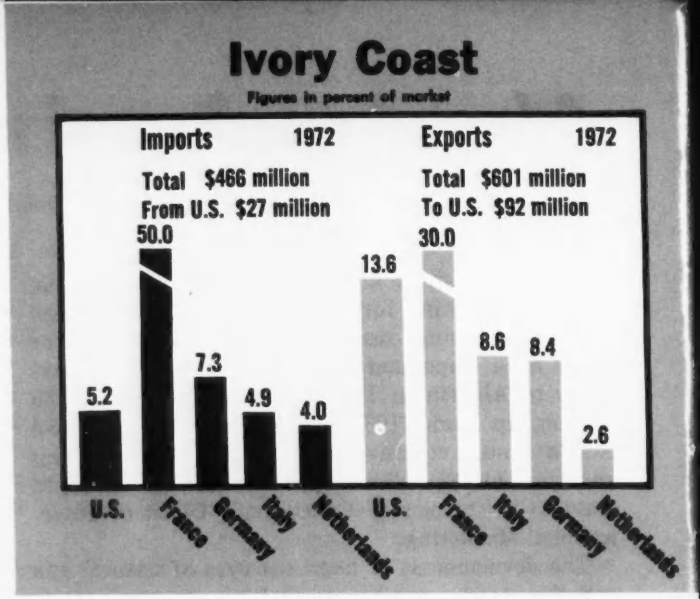
Ivory Coast

Expanding Economy, Big Projects Offer Significant Prospects For U.S. Firms



While U.S. exports to Ivory Coast's $466 million import market (1972) are expected to be high next year, they will not reach the $65 million level set in 1973.

Last year's record high export sales were a result of a one-time Ivorian purchase of U.S. commercial aircraft by Abidjan-based Air Afrique, the international airline servicing 11 countries of West and Central Africa. Exports to Ivory Coast should reach a level above $40 million in 1974—a record high excluding last year's aircraft sales, according to Marlene D. McKinley of Commerce's Office of International Marketing.

Another healthy balance of payments year—$100.8 million in foreign reserves in August 1973—will continue to give Ivory Coast the necessary purchasing power to meet import demands. Coffee, cocoa and timber account for 80 percent of Ivory Coast's foreign exchange earnings and these products are expected to maintain their high world market prices.

France has traditionally been the Ivory Coast's major trading partner, capturing 50 percent of the market in 1972. French presence, however, along with Ivorian tariff preferences toward the EEC countries as well as import licensing requirements for non-EEC countries, has not critically affected U.S. exporters in their efforts to penetrate the Ivorian market.

U.S. exports to Ivory Coast in 1973 rose by about 200 percent above 1972 and the U.S. market share was expected to reach 7 percent. U.S. exports in 1974 should remain attractive as a result of the recent dollar devaluation and the high inflation rate being experienced throughout Europe. Significant export sales should be made this year in agricultural machinery and transport equipment. Consumer products should also produce substantial sales, as Ivorian demand for these products is expected to reach market highs in the coming year.

Ivory Coast's impressive GNP of $1.8 billion in 1972 and its per capita income of $360 make it one of the most successful African countries not exploiting mineral resources. Its economic growth rate has averaged around 8 percent since independence in 1960 and the encouraging trade outlook projected for 1974 should maintain this growth pattern.

The annual investment growth rate for Ivory Coast has averaged around 10 percent since 1968. Moreover, the government's liberal attitude towards foreign investment along with its intense efforts to achieve rapid economic development have resulted in substantial investment opportunities.

The Ivorian Government has recently stressed development of export-oriented labor-intensive industries. The industrial sector, which accounts for 20 percent of Ivorian export earnings, has primarily been import substitution oriented. Federal initiative to develop the textile manufacturing industry, however, is indicative of the new direction set for the Ivorian industrial sector. Textile manufacturing plants are planned for construction in four cities over the next year.

IVORY COAST's chief imports from U.S.: aircraft, agricultural machinery, iron and steel tubes and pipes and fittings, construction and mining machinery, heating and cooling machinery, textile fabric waste.

Agribusiness is another area receiving considerable attention by the Ivorian Government. A U.S. firm has already received a contract for construction of a sugar refinery complex, which should add more than $40 million to U.S. exports to Ivory Coast over the next two years.

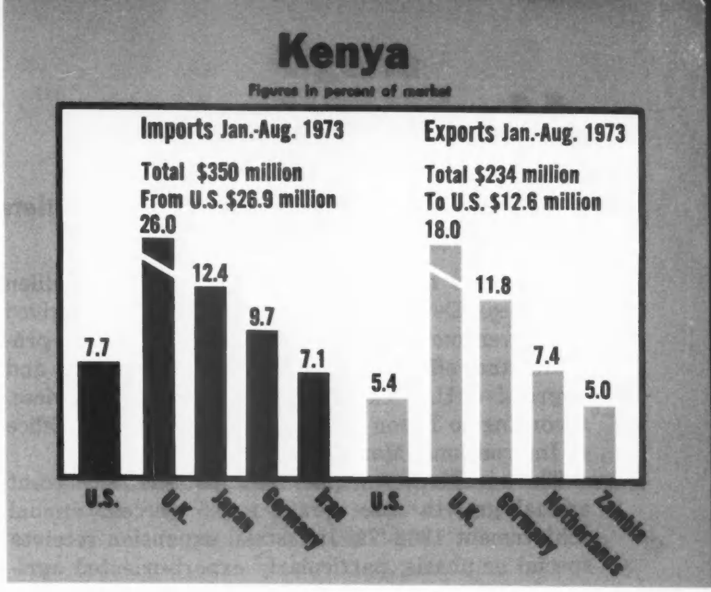
U.S. participation

The Ivorian Development Plan for 1971-'75 includes several projects which currently have active U.S. participation and many more which should generate significant U.S. sales by the end of next year. A management contract was recently awarded to a U.S. firm for the $100 million Tabou River Dam.

U.S. trade promotional events scheduled for Ivory Coast include two trade missions—Timber Industry Equipment, February 1975, and Food Processing and Packaging Equipment, March 1975—and a Technical Sales Seminar on Transportation and Construction Equipment and Services, May 1975. Further information concerning these events can be obtained from the Africa Division, BIC/OIM, U.S. Department of Commerce, Washington, D.C. 20230.

Kenya

Imports Jump As Controls Are Loosened; Agricultural Recovery To Sustain Growth



Kenya's new trade regulations, which went into effect on July 2, abolished quotas for most major imports from the United States and spurred Kenya's already rising import rate. Kenya's import bill in 1973 was over $500 million, up nearly 10 percent over 1972, and the outlook calls for similar gains in 1974, reports Stanley T. Myles of Commerce's Office of International Marketing.

U.S. sales to Kenya rode the roller coaster between stringent and relaxed import controls in 1972-'73. U.S. exports of $25.6 million in 1972 rose by 75 percent to $45 million in 1973, and a strong economic growth rate, coupled with selective import controls, will push U.S. exports to Kenya to an estimated 1974 level of $49.9 million, up 11 percent.

The U.S. share of the Kenyan market has risen to 7.7 percent; gains by Japan and West Germany, with 12.4 percent and 9.7 percent, respectively, and the United States, have cut the 1972 share of the principal supplier, Great Britain, to 26 percent.

Steady growth rate seen

Sharp gains in agricultural output will sustain Kenya's economic growth in 1974. GDP rose 5 percent in 1973 over the 1972 level of $1.8 billion in current prices. The economy should maintain the 5 percent growth rate in 1974, with agribusiness, construction, and manufacturing showing strong gains to offset problems caused by an anticipated drop in tourist revenue and some oil shortages.

Kenya's strong agricultural sector, and better than expected export production, created a trade surplus and resultant gain in foreign reserves. Reserves stood at $238 million in March 1973. However, the July easing of import controls produced a trade deficit in 1973, and reserves dropped below $200 million. Some controls may reappear on imports in 1974 if foreign reserves drop too low, but will apply mainly to high-priced imports.

Confidence in the Kenyan economy is high among businessmen in the country because of the substantial changes in government policy over the past two years. These changes are designed to provide conditions under which Kenyan exports can compete in the world market and to generate more basic industrialization.

The new industrialization policy may dampen demand for some U.S.-made high-technology items in the fields of consumer-oriented manufacturing. However, trade and investment opportunities are good in sectors emphasizing raw material utilization, service industries, and tourism.

Plans are being made for construction of a Mombasa-Nairobi oil pipeline, with work to begin in late 1974. Further information is available from the chairman of the East African Refinery, Mombasa, Kenya.

Two power projects hold opportunities for U.S. firms: $42 million will be spent in 1974 on the Tana River Development, and $14 million is planned for the Mombasa thermal plant.

In the tourism sector, work continues on a $45 million expansion of the Nairobi Airport. Tourism remains one of the largest earners of foreign exchange, and visitors from the United States lead all other nationalities. Tourism will likely be hurt by the worldwide oil situation, but the $75 million per year industry will still represent worthwhile opportunities for U.S. business.

The Commerce Department plans three promotional events in Kenya for 1974. A catalog exhibition will be held in Nairobi in July in the field of communications equipment. Two trade missions will follow, one for the printing and graphic arts industry in August, and the other for agricultural equipment in October.

The Kenyan Government does not discourage U.S. investment, and will participate in financing of foreign enterprises on an equity or debt basis through semi-autonomous agencies such as the Industrial and Commercial Development Corporation and the Development Finance Company of Kenya. Kenyan majority control is required, but contracts can be arranged for equitable return on foreign investment, and gradual Kenyan participation in management.

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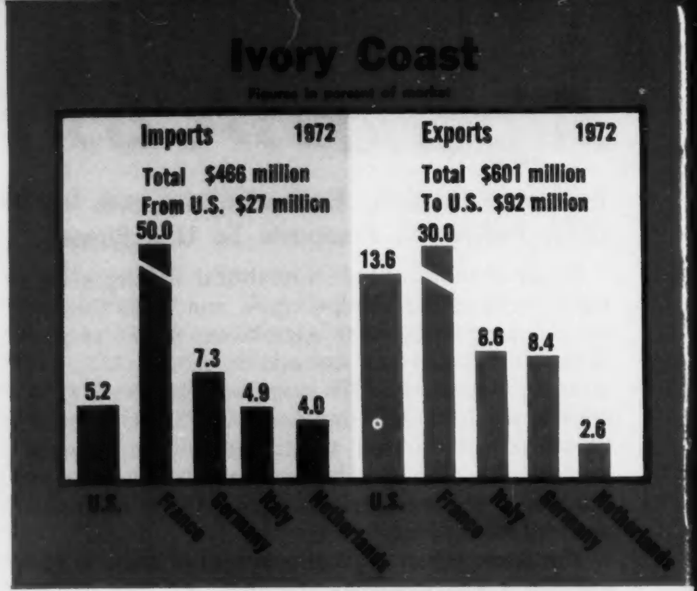

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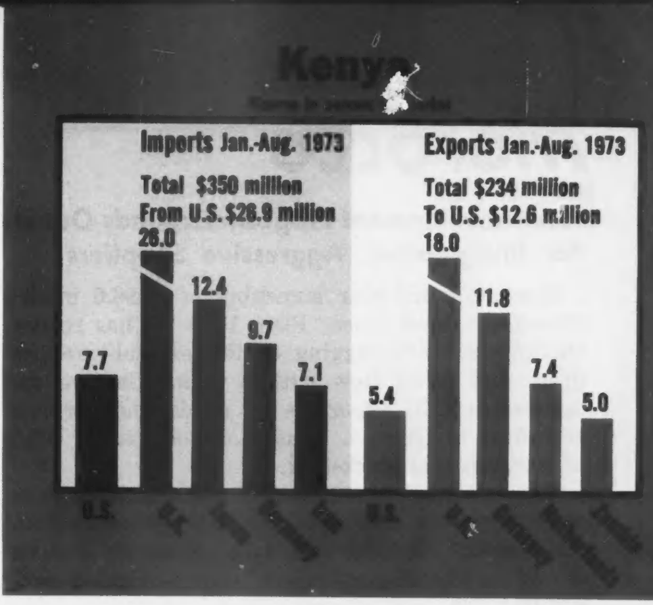

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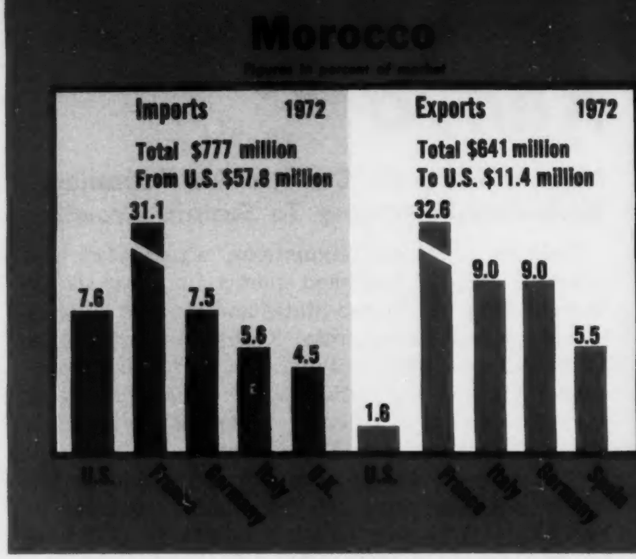
Morocco

New Development Program Expands Outlets For Imaginative, Aggressive Suppliers



Morocco's mid-year launching of a $6.6 million Five-Year Development Plan, 1973-'77, has revived the government's lagging capital expenditure program and offers new outlets to imaginative and aggressive U.S. exporters of goods and services, according to Laron L. Jensen of Commerce's Office of International Marketing.

The ambitious new plan anticipates a 7.5 percent annual growth rate versus a 5.5 percent annual achievement 1968-'72. Industrial expansion receives special emphasis, particularly export-oriented agricultural, fish, and mineral processing and tourist facilities. Government spending will triple or quintuple for education, public health and low-cost housing. The rate of new investment will double to 18 percent annually if goals are realized, with imports to rise 8 percent yearly from $777 million in 1972.

U.S. exports to Morocco probably topped $102 million in 1973, making that the best year ever for American suppliers. In 1972 U.S. exports totaled $57.8 million. Cumulative effects of two recent dollar devaluations, totaling 20 percent against the dirham, are a major factor in this trade improvement.

Morocco is embarking on its new plan at a time of slackened economic activity following an investment slowdown in 1972. Private investor confidence appears to be slowly improving following clarification of the government's Moroccanization program and publication of the new plan and five new investment codes which offer attractive incentives, particularly for joint ventures in industry, tourism and other sectors.

GNP in 1973 reached $5.6 billion, up 2 percent in real terms from $5.2 billion in 1972; stronger growth is predicted for 1974, dependent upon overall agricultural performance and private investor confidence in government policies. Inflationary pressures surpassed 11 percent in 1973 and are expected to continue.

The balance of payments has accumulated a steady surplus in recent years thanks to bountiful harvests, expanding phosphate and other mineral exports, more than one million tourists yearly, and transfers from 250,000 overseas Moroccan workers. Exports, buoyed by high phosphate prices, rose 17 percent in 1973 and are predicted to advance at least 10 percent annually through 1977.

Picking up steam

Imports rose a modest 1.2 percent in 1972 but began rising again in the latter half of 1973, reflected mainly in higher cereal imports. The U.S. market share was 10 percent in 1973 (8 percent in 1972). Foreign purchasing will pick up more steam in 1974 with heavier purchases of capital equipment needed for implementation of the new Plan; sales prospects for U.S. suppliers are excellent.

Major export opportunities include construction and mineral processing machinery; transport, aeronautical, and meteorological equipment; fertilizers; and farm machinery and irrigation gear. Infrastructural improvements include two new dams, a port at Nador, a possible gas pipeline from Algeria, and expansion of the Mohammedia oil refinery.

MOROCCO's chief imports from U.S.: wheat and wheat flour, aircraft and parts, tin plate and tin-coated sheets, cotton, animal fats and oils, soybean oil.

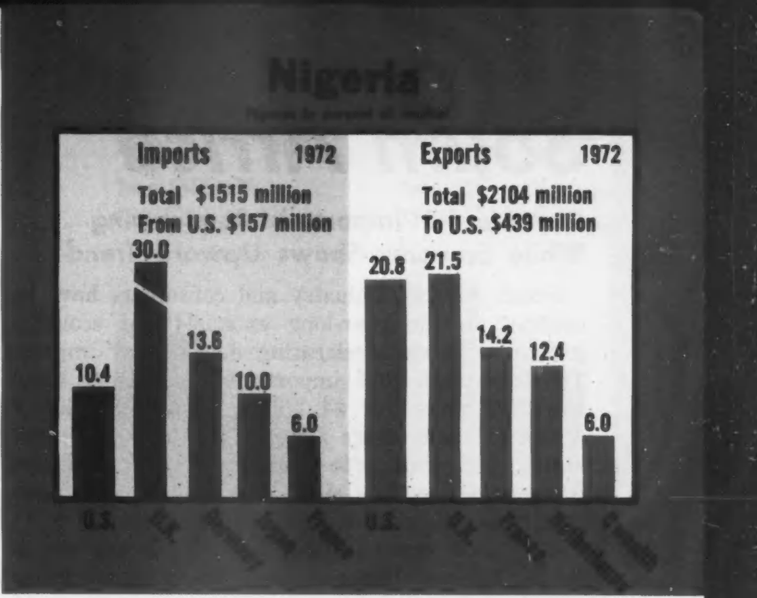
In taking advantage of these projects U.S. exporters can benefit from AID's $10 million agricultural sector loan and Eximbank's cooperative financing facility with a Moroccan state bank. Commerce-sponsored trade promotions in Morocco include a Hospital/Medical Trade Mission in May and catalog shows in Materials Handling Equipment in April and in Industrial/Scientific Equipment in January 1975.

A long-promised drive to Moroccanize the "tertiary" sector resulted in several decrees in 1973 requiring that affected businesses have a Moroccan chairman and majority management and 50 percent of their capital be held by Moroccans. A concurrent land recovery program will nationalize foreign-owned agricultural lands by mid-1974.

France and other EC suppliers, with which Morocco has a limited association agreement, are tough competitors in Morocco because of tradition and geography. However, Moroccan tariffs are nondiscriminatory for all suppliers.

Nigeria

Record Earnings Whet Appetite For Bigger Volume Of U.S. Goods



Nigeria is easily the largest market on the African Continent (excluding South Africa) with imports expected to top $2.5 billion in 1974. Nigeria's continuing 10 percent overall growth rate promises to insure world recognition of her emergence as the pacesetter for Africa's economic development, states Rodney P. Rydlun of Commerce's Office of International Marketing.

The exceptional upward trend in Nigeria's trade surplus boosted foreign exchange reserves to over $550 million in mid-1973. Foreign investment of over $1 billion has been attracted to Nigeria, principally to the oil sector in the past three years. Crude oil production, currently two million barrels per day, is expected to increase at least 10 percent annually. Higher world prices for all of Nigeria's exports should spur import payments.

Nigeria's GDP is currently estimated at about $9 billion. Severe disparity in income distribution is a problem, however. Higher payments to farmers (affecting 70 percent of the population), expanded credit for small and medium business and "indigenization" of 55 types of enterprise effective April 1, 1974, should widen the purchasing base. Record earnings from the petroleum sector are to be pumped into agribusiness, industry and infrastructure projects under government direction.

The Second National Development Plan, 1970-'74, prescribes spending priorities for $4.5 billion. Guidelines for the Third Plan, 1975-'80, will insure that over $11 billion is spent.

Oil and the current energy crisis has catapulted Nigeria into the center ring of world attention. General Gowon, Nigeria's young and energetic Head of State since 1966, is trying to set the best example of rapid but independent economic development. Private commercial initiatives, multinational project-oriented assistance, and facilitative financing is preferred to the old style bilateral foreign aid. Foreign businessmen are therefore investigating and capitalizing on the kinetic business climate prevailing in Nigeria.

The United States is exporting less to Nigeria and our market share is being overtaken by West Germany, Japan and France. Considering the rapidly widening gap in our trade balance with Nigeria because we buy so much of her oil, U.S. firms need to try harder to fill Nigeria's growing need for manufactures. U.S. exports in 1974 could reach $220 million, compared with $157 million in 1972.

The greatest opportunity to gain back our position as second largest supplier of the Nigerian market is in sales of machinery, equipment, materials, services and share technology to Nigeria's petroleum sector, where U.S. firms already dominate. Decisions on LPG, LNG and intermediate petrochemicals plant construction are expected soon.

U.S. firms capable of responding to or initiating a Nigerian requirement for specialized machinery and equipment for small and medium industry could register astonishing sales volumes. "Nigerianization" may disrupt traditional flows of goods from England and the Commonwealth. Experimentation with new sources of supply and changes in demand patterns are becoming evident with greater circulation of new oil earnings.

NIGERIA's chief imports from U.S.: wheat, aircraft and parts, construction and mining machinery, iron and steel tubes and pipes and fittings, heating and cooling machinery and equipment, pumps.

Now would be a good time to enlarge or introduce new U.S. product lines in Nigeria. Department store and consumer oriented merchandise is in great demand: textile products, sporting goods, home appliances (220 volt, 50 cycle), paper products, and gadgets. U.S.-made business, vending, and office machines, administrative and training aids and computers are desired.

Government priority on increased agricultural production will stimulate greater need for farm, processing and packaging machinery; heating and cooling equipment, and seed, pesticide and fertilizer technology. Government spending on reconstruction, highway, port, airport, power, water, sanitation, health, education and communications projects will necessitate procurement of heavy construction equipment, lighting, signaling, security, measuring, control, communications, navigation and other sophisticated instruments, apparatus and aids.

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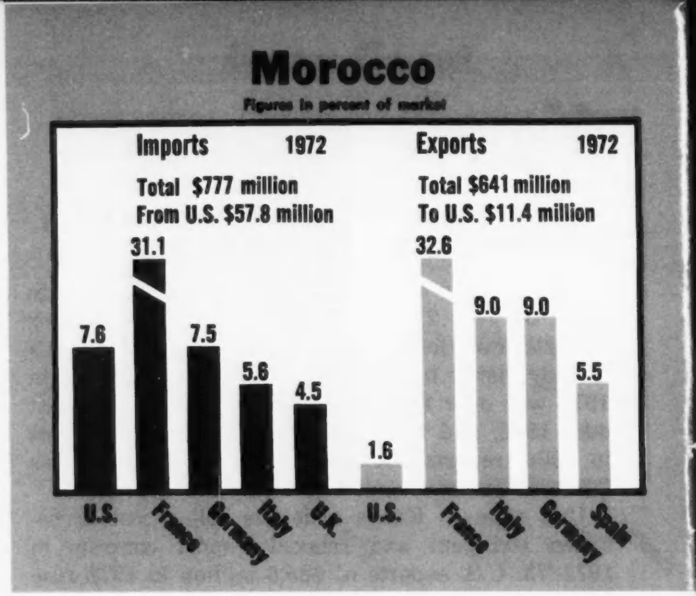

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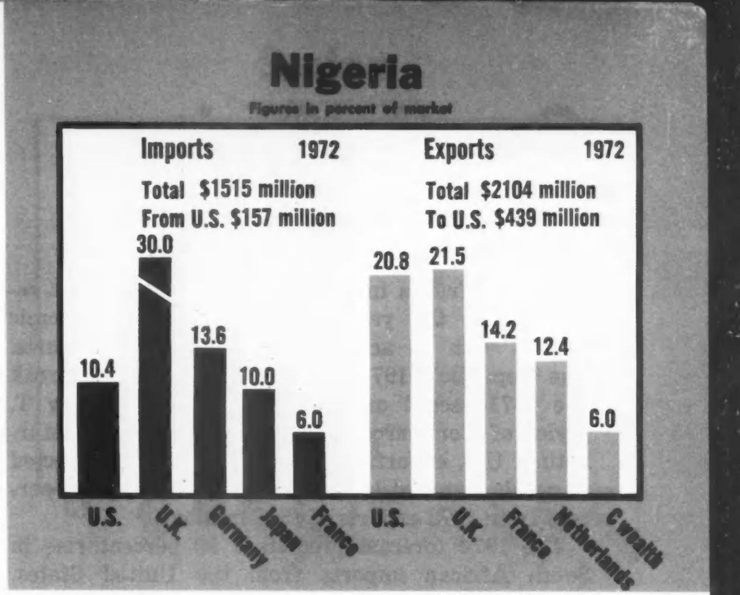

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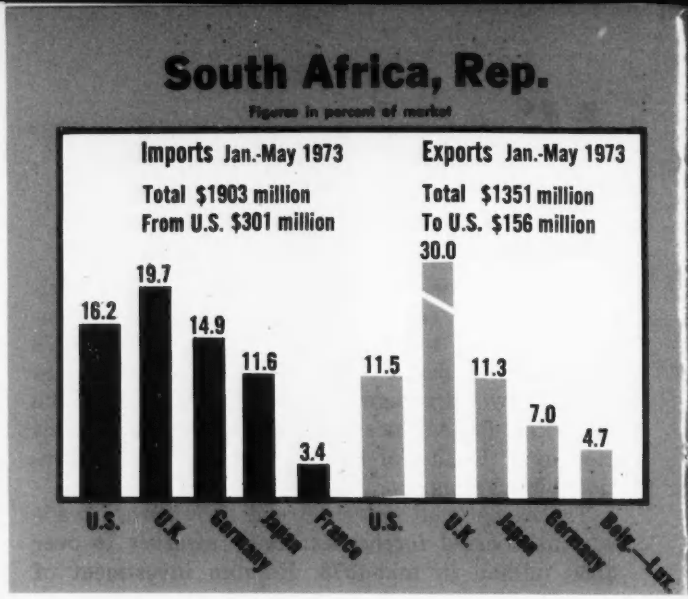
South Africa

Demand For Imports Is Accelerating While Economy Shows Upward Trend



South Africa's industry and consumers have responded to the year-long expansion of economic growth with an accelerating demand for imports. The Republic's 1973 imports were likely to break the 1971 record of $4 billion, reports Stanley T. Myles of Commerce's Office of International Marketing. U.S. exports to South Africa were expected to reach a record level of $728 million, up 22 percent from 1972 exports of $597 million.

The 1974 forecast predicts a 20 percent rise in South African imports from the United States, reflecting the business surge, but tempered by shortages of petroleum, especially in the transportation sector.

The increase in real economic activity was spurred by the South African Government's expansive FY 1973 budget. Deficit spending on the government account, as well as the strong market for gold, has stimulated business in the mining, manufacturing, and commercial sectors of the economy. The shift towards higher production levels has been accompanied by increased utilization of production capacity, increased output per man-hour, and high stock turnover.

Reflects expansion

The South African GNP in fiscal 1973 reflected the expansionary trends, rising 5.5 percent in real terms from 5 percent in fiscal 1972, with most of the growth in the first six months of 1973. Steady appreciation of the rand, together with government borrowing and continued unfavorable trade balances, has lowered foreign exchange 10 percent in the past six months.

New incentives such as reduced sales taxes, increased availability of domestic credit, and government approval of imports for industrial expansion should boost GNP in 1974 by 6 percent. A large trade deficit from increased imports will lower foreign reserves, but the drop will be held to 10 percent by increasing revenue from the sale of gold.

The U.S. share of South African imports should remain near the 17 percent level in 1974, compared with 20 percent for the United Kingdom, 15 percent for West Germany, and 11 percent for Japan. U.S. goods will gain a more competitive position following 1973's 5 percent appreciation of the rand against the dollar and 11 percent against major European currencies. American products are commanding strong demand in the areas of chemicals, industrial equipment, electronic and automated technology, and clothing.

Government stimulation of the economy has included the relaxing of import restrictions. Since March, import licensing has been generally confined to products already manufactured in South Africa. Residual quotas and added value excise taxes have largely been eliminated.

Worker productivity up

South Africa's race problems will continue to hamper the growth of productivity, but the South African Government's softer attitude toward greater employment of blacks has encouraged modest steps to be taken in 1973 to raise African wages and to utilize and train more non-whites to ease the shortage of skilled workers. These steps have helped raise industrial production per man-hour by 4.7 percent during the first nine months of 1973, compared with a 1.8 percent rise in 1972 and slight drops in productivity in 1971 and 1970.

SOUTH AFRICA's chief imports from U.S.: chemicals, milled rice, pharmaceuticals, motor vehicles, aircraft, industrial machinery.

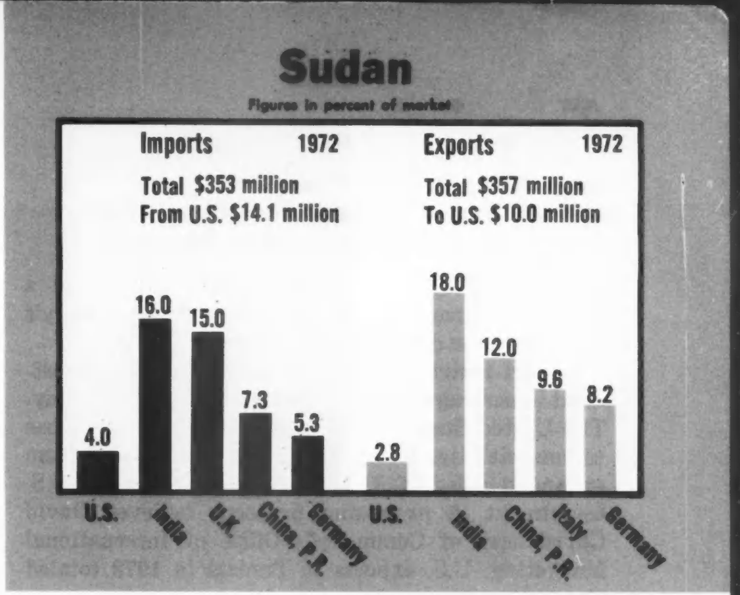
Other chronic problems

Other chronic problems cloud the bright outlook for 1974. An uncertain factor will be the effect of the Arab oil embargo against South Africa. The Republic depends on oil for only 20 percent of its energy needs, so most industries will be effected through transportation problems connected with the oil shortage. More critical will be persistent inflation (10 percent during 1973) and raw materials shortages.

Despite these problems, South African businessmen have eagerly awaited the upturn to the business cycle, and confidence will remain high as long as the Government is perceived to be handling adequately the oil embargo. Business confidence will best be measured by the rate of private investment, which has not as yet followed the general business surge.

Sudan

More Gains Predicted For U.S. Sales Despite Balance Of Payments Problems



U.S. exports to the Sudan have registered major gains during the past two years. This trend is expected to continue through 1974 despite the likelihood that balance of payments difficulties will not permit total Sudanese imports to rise substantially above present levels, reports Mary L. Manley of Commerce's Office of International Marketing.

U.S. sales to the Sudan could top $60 million in 1974 in light of available Eximbank financing for commercial aircraft for Sudan Airways and for new satellite ground station equipment. Should the pending sale of 20 locomotives be culminated that total would have to be revised sharply upward.

The best U.S. sales prospects are transportation equipment, agricultural and construction equipment, miscellaneous machinery, pharmaceuticals and insecticides. In large measure these items are purchased by tender by government ministries and public agricultural corporations. With cotton the Sudan's major export, mechanical cotton harvesters, cotton ginning machinery, and seed cotton storage equipment for both long and medium-staple cotton, as well as seed cotton technology, are desired. A complete peanut receiving station, sesame harvesting mowers and binders, a castor bean processing plant, and small tractors for use in orchards also offer opportunities for exports.

In FY 1974 a major portion of expenditures for development has been allocated to agriculture, irrigation, transportation, communications, and electricity and water supply. The massive Rahad Irrigation Project, begun in 1973 and to be completed in 1978, is being jointly financed by IDA ($40 million), U.S. AID ($11 million), the Kuwait Fund ($10 million) and the Sudan (local currency requirements).

Procurement for the Rahad Project is through international competitive bidding. The foreign exchange component available for the Rahad Corporation's purchases of farm equipment, light railway equipment and vehicles should total about $8.8 million. The major items of farm equipment will be tractors (over 400) in the 65-75 HP range, planters, plows and four-wheel-drive vehicles. Other equipment and vehicles with a foreign exchange cost of $11 million are being financed by U.S. AID and procured mainly from U.S. suppliers using AID procurement procedures.

Successfully resolved

The Sudanese economy, presently characterized by low growth, has suffered from declining levels of investment, both public and private. A decline in external assistance and excessive monetary expansion has resulted in depletion of net foreign assets and inflationary price increases. The main causes, which were political, have been successfully resolved.

By curtailing recurrent expenditures and increasing public savings to finance an increasing level of investment magnitudes comparable to the 1960s, the Sudan Government is striving to spur economic growth. Additionally, the IMF standby arrangement stipulates credit ceilings and acts as a check on unusual increases in public sector expenditures. Moreover, with the successful solution to the internal conflict between the northern and southern regions, the Government is focusing full attention on priority areas of development.

SUDAN's chief imports from U.S.: transportation equipment, agricultural equipment, earthmoving equipment, industrial machinery, insecticides, pharmaceuticals.

The Industrial Bank of Sudan has good prospects to expand operations and to assume a large role in providing financing both to small industries and to larger industrial enterprises.

The Sudan Government has made it clear that it will rely on the private sector for the bulk of new industrial investments; it intends to limit its own involvement to projects such as sugar mills, tanneries, and fertilizer factories. The list of new industrial projects in the public sector includes a factory for agricultural machinery, two tanneries, a kenaf factory, a sugar mill, and a fertilizer factory. Cattle and sheep ranching are targets for private investment.

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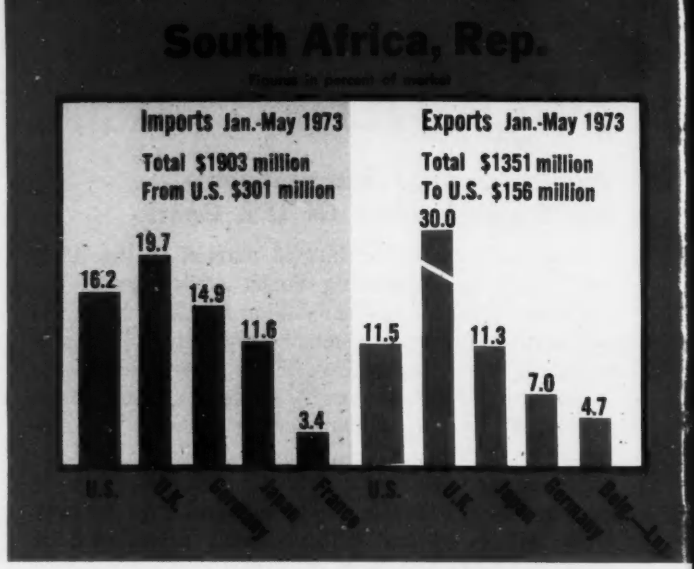
South Africa

Demand For Imports Is Accelerating While Economy Shows Upward Trend



South Africa's industry and consumers have responded to the year-long expansion of economic growth with an accelerating demand for imports. The Republic's 1973 imports were likely to break the 1971 record of $4 billion, reports Stanley T. Myles of Commerce's Office of International Marketing. U.S. exports to South Africa were expected to reach a record level of $728 million, up 22 percent from 1972 exports of $597 million.

The 1974 forecast predicts a 20 percent rise in South African imports from the United States, reflecting the business surge, but tempered by shortages of petroleum, especially in the transportation sector.

The increase in real economic activity was spurred by the South African Government's expansive FY 1973 budget. Deficit spending on the government account, as well as the strong market for gold, has stimulated business in the mining, manufacturing, and commercial sectors of the economy. The shift towards higher production levels has been accompanied by increased utilization of production capacity, increased output per man-hour, and high stock turnover.

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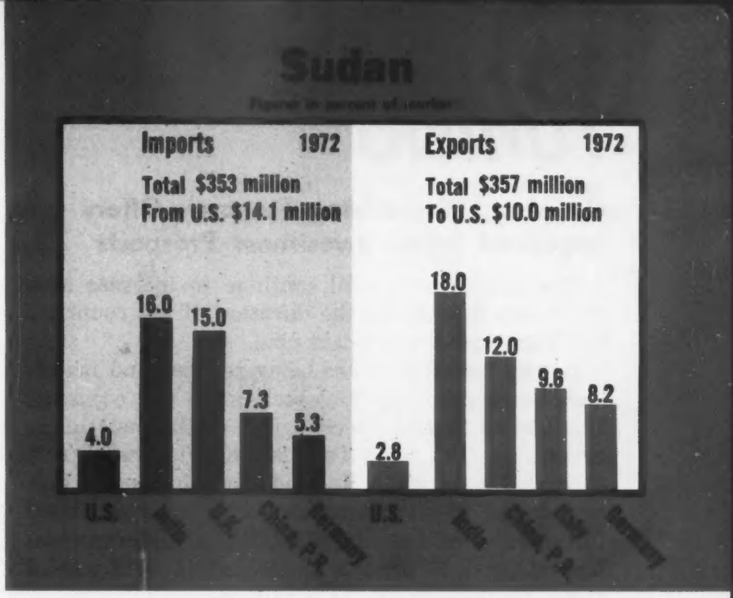

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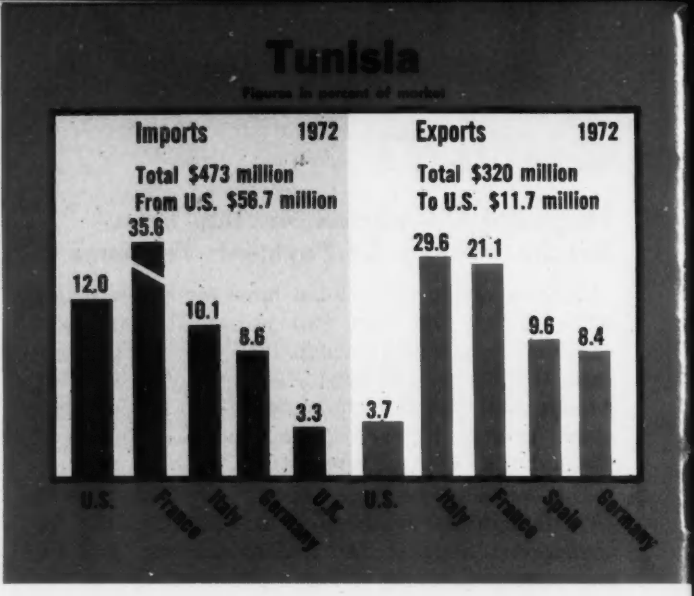
Tunisia

Growing, Diversifying Economy Offers Improved Sales, Investment Prospects

Tunisian imports will continue to increase at a rapid clip throughout the duration of the country's new four-year development plan.

Import restrictions are being realized and investment encouraged in key sectors of the economy. The United States, which enjoys traditionally close commercial ties with Tunisia, should benefit from expanded sales of U.S. goods and increased U.S. investment in promising projects, believes David Christensen of Commerce's Office of International Marketing. U.S. exports to Tunisia in 1972 totaled about 12 percent of the Tunisian import market.



While agricultural production in 1973 did not achieve the spectacular growth witnessed in 1972, the manufacturing, services and mining sectors are expanding at a steady rate. The Fourth Development Plan (1973-'77), recently initiated, predicts continued rapid growth, which should provide growing markets for imports of capital goods, raw materials and semi-finished products.

New relaxations of import controls will facilitate the influx of U.S. products.

Continued growth

After several years of slow growth, Tunisian economic expansion surged ahead in 1971 and 1972. Tunisian GDP jumped by a record 18 percent in 1972 to reach $1.83 billion, or $340 per capita. Because of some declines in output of key agricultural commodities during 1973, especially olives, GDP for the year was only about $1.89 billion, or 3 percent over the 1972 figure. However, as the new plan gets in gear and the economy catches its breath, GDP could grow by 9 percent annually through 1976. While agricultural production remains the base of the economy, manufacturing is gaining in importance, as is tourism.

Traditional political stability and a major shift from socialism back to support of private enterprise by the government has inspired business confidence in Tunisia. New investment laws and access to the European Common Market are also serving to encourage domestic and foreign investment.

Imports to increase

Tunisian imports are expected to increase at an annual rate of 17 percent over the next four years and will be covered by large increases in the value of exports of petroleum, phosphates and other mineral products and by growing earnings from tourism and services. The new plan projects a total of $2.75 billion in investments over the next four years and includes several major projects: a cement plant, a second refinery, a second phosphoric acid plant, new food processing operations, textile and fishing undertakings, steel mill and phosphate mine improvements, and transportation and telecommunications projects.

Close commercial ties with Europe and specific tariff treatment for certain imports from the Common Market do present problems to U.S. exporters. However, the devaluations of the U.S. dollar have made American goods more competitive, and recent Tunisian relaxations of many import regulations are expected to benefit U.S. exporters of a variety of commodities. To date the bulk of U.S. exports to Tunisia have been food products under the PL 480 program, but this situation will change somewhat as Tunisia industrializes.

TUNISIA's chief imports from U.S.: cereals, soybean oil, aircraft, construction and mining machinery, agricultural machinery, vehicles.

Promising potential

Specific products which appear to have the most promising sales potential include: wheat, soybean oil, agricultural implements, construction and mining machinery, aircraft, refrigeration and air-conditioning equipment, textile machinery, mechanical handling equipment, pharmaceuticals, and oil field equipment.

Generous investment laws for export-oriented industries are drawing interest from U.S. firms, especially in the fields of food processing, assembly plants, and petroleum exploration.

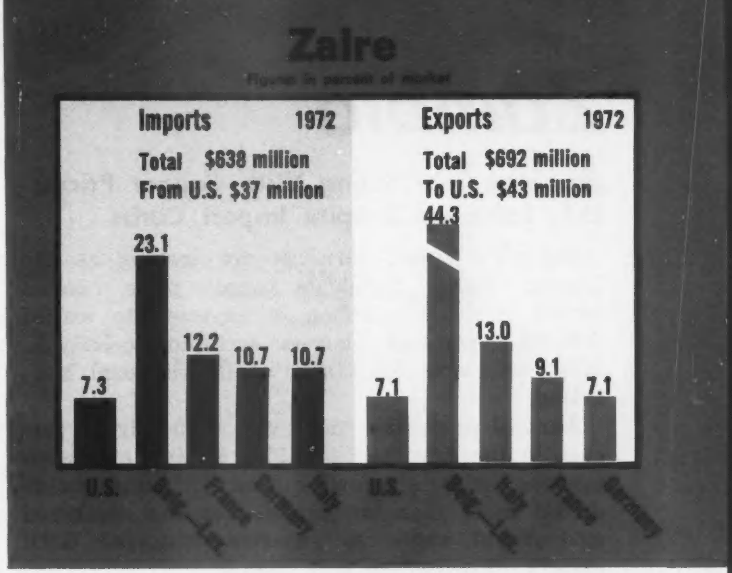
Despite a substantial lag of exports behind imports, the Tunisian balance of payments has remained favorable because of earnings from services, tourism, workers' remittances from overseas, and foreign loans. Tunisian foreign exchange reserves are estimated at $308 million for 1973.

Zaire

High Export Prices Boost Prospects For Economic, Import Market Growth

Zaire's foreign trade grew strongly during 1973 and its balance of payments may well have shown a surplus for the first time since 1969. U.S. exports more than doubled their rate of 1972 and should maintain a favorable market position this year, according to Frank A. Ocwieja of Commerce's Office of International Marketing.

Continued growth of Zaire's import market is due largely to increased public and private investment expenditures. High world market prices for mineral and agricultural commodities have sharply boosted the country's export earnings. If demand for these products remains strong, Zaire will be able to carry out its plans for large infrastructure and industrial projects requiring significant imports of capital equipment.



Zaire's foreign exchange position has reversed its deterioration of the last two years. By August 1973, reserves had rebounded to their 1972 year-end level of $159 million.

GDP in 1973 grew at a 6 percent rate in real terms and probably reached $2.6 billion. Economic expansion is being led by the mining and metallurgy, manufacturing, and power sectors, while agriculture continues to stagnate.

The excellent U.S. export showing in 1973 is the result of large sales of capital equipment, particularly aircraft, as well as agricultural products. This trend should continue through 1974, especially as deliveries of equipment for the Inga-Shaba hydroelectric power and transmission project begin.

The Government of Zaire recently outlined its development goals through 1980. They call for official investment expenditures of $2.8 billion. This figure includes the Inga-Shaba project, already begun by a U.S.-led consortium. In addition to several other projects under way, the plan calls for new investments in railroad, port, and highway construction and equipment as well as expansion of the internal telecommunications system.

The government program is to be matched by capital expenditures of $4.6 billion by public, private, or mixed enterprises, including $1.5 billion in new foreign investment. While most of this investment will be in mining, metallurgy and manufacturing, the government plans to encourage more emphasis on agriculture, particularly in livestock and fishing. Moreover, the 1969 investment code will be used to steer new investment into the relatively less developed northeastern area of Zaire.

Trade prospects bright

The Zairian market is highly receptive to U.S. products but demands direct sales representation and speedy and efficient after-sales servicing arrangements. The mining and metallurgy industry offers especially attractive opportunities for U.S. exports, led by the new $160 million GECAMINES expansion plan, which includes mining machinery and several turnkey refining plants. Exploitation of the recently announced offshore oil discovery will provide a market for petroleum production equipment.

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On Nov. 30, President Mobutu announced several important economic measures taken to implement his program of national "authenticity". All Zairian copper is to be refined in-country by 1980. In addition, all new investment in the mining sector will be required to have 50 percent government ownership.

Other measures include the takeover of the remaining pre-independence Belgian investments in Zaire, including many abandoned plantations. New machinery has been set up to assure the Zairianization of top management in companies established in Zaire. These measures are not expected to change Zaire's enthusiasm for trade and investment with U.S. firms, which Mobutu has complimented for their dynamism.

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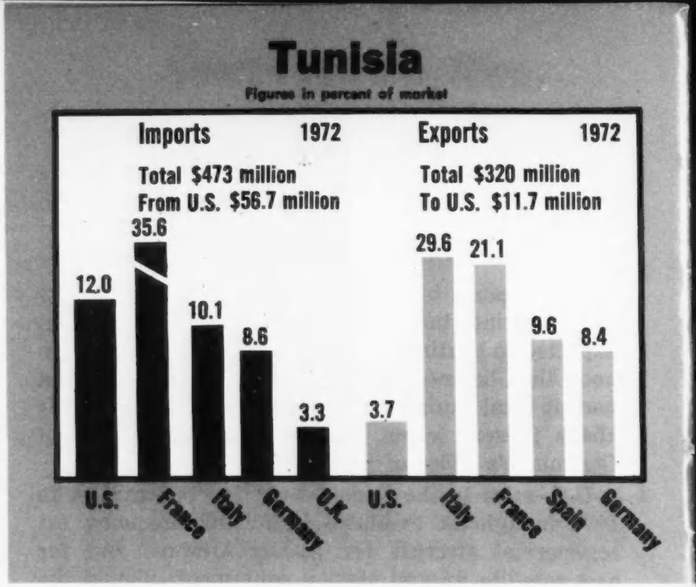

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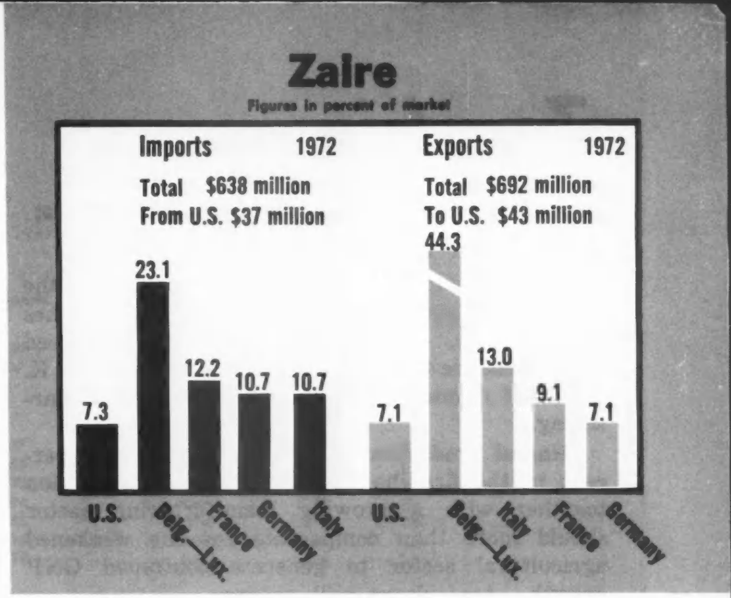

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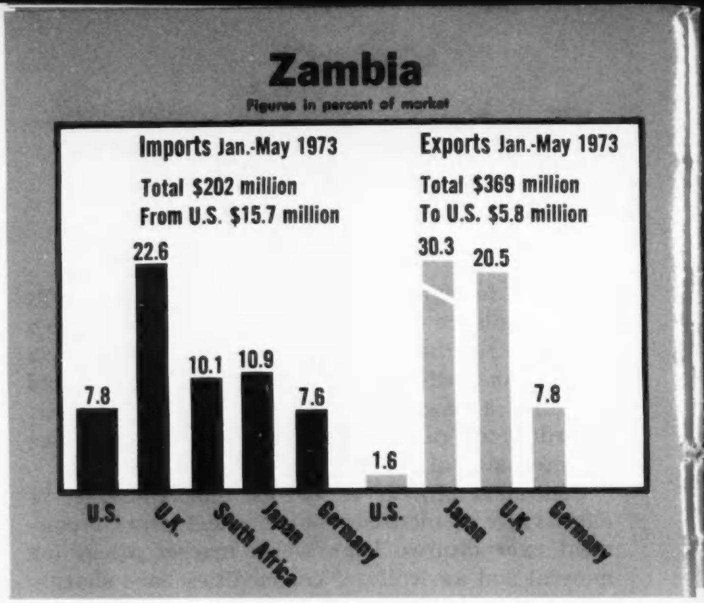
Zambia

Earnings Soar Along With Copper Prices; U.S. Sales Up Despite Import Curbs



Zambia's export earnings are soaring as the London Metals Exchange copper price reaches record levels. Production is expected to exceed 700,000 metric tons this year, according to Sally K. Miller of Commerce's Office of International Marketing.

Mineral production value was up nearly 24 percent in the first half of 1973. Mining expansion together with a growing manufacturing sector should more than compensate for the weakened agricultural sector to generate continued GNP growth. Agriculture will receive increasing development attention as the government seeks to exploit the country's vast food raising potential.

Increasing government revenues from the mining sector will combine with substantial international transfers to enable Zambia to resume a number of development projects stalled during 1973; these will be aimed at freeing Zambia from copper's market fluctuations and creating employment opportunities.

Last year was marked by two significant events which will influence Zambia's potential to import throughout 1974. The Rhodesia-Zambia border closing necessitated rerouting the majority of Zambia's trade and thereby added time and expense to the final delivery of goods in Zambia. The import reduction achieved during the first two-thirds of 1973 actually facilitated the route readjustment.

As the government steps up licensing of imports (reportedly occurring since August), and as a greater volume of the ordered imports reaches the designated ports —Dar-es-Salaam, Lobito, Ncala, Beira and Mombasa—congestion and delays have begun to appear, particularly in Dar. Several large shipments of heavy trucks scheduled for the first quarter of 1974 should ease the freight congestion at the ports.

Zambia has acted to obtain a greater share in the management and revenues of its copper mining sector. Using its increased foreign exchange reserves and sizable European dollar loans, the government accomplished the early redemption of its copper mining shares outstanding under the 1969 Mines Agreement and moved to take a more active part in marketing. The unscheduled purchasing reduced the amount of reserves immediately on hand, but continued high copper prices should result in steady replenishment.

The import quota licensing system introduced in mid-1972 to conserve dwindling reserves and later revised early in 1973 has achieved its objective of reducing imports. From January to May 1973 imports were off 17 percent from 1972. U.S. exports through October, however, moved contrary to that trend and increased by nearly 7 percent. Estimates for the full year indicated a regaining of the $4 million lost in 1972 as well as a slight increase.

In 1974, the U.S. share should improve further as truck orders are delivered, Zambia makes purchases against the $5 million program loan, and orders placed after mid-1973 reflect the full weight of the currency realignments. The composition of our trade reflects the most salable prospects: transportation and necessary maintenance equipment, mining and mineral processing equipment, agricultural equipment, and chemicals. Increasing attention should be paid by American businessmen to selling manufacturing equipment in Zambia.

ZAMBIA's chief imports from U.S.: construction and mining equipment, motor vehicles and parts and accessories, mechanical handling equipment, agricultural tractors, chemicals.

A technical sales seminar on transportation and construction equipment is planned for May 1975, and a food processing and packaging catalog show will be recruited for this September.

Although Zambia has as yet formulated no investment code, the government is receptive to proposals which mesh with development priorities and which provide for Zambian equity participation. Businessmen seeking to sell in Zambia should be aware of the government's effort to reduce commercial ties with white minority regimes to its south. Businessmen will be encouraged to forego existing marketing arrangements which provide for servicing Zambia from a regional outlet in South Africa in favor of establishing either a separate agency or manufacturing facility within Zambia.

U.S. Share Of Imports Into Selected Countries

Area and country	1972 Imports			1973 Imports January through latest month			
	From world (million dollars)	From U.S. (million dollars)	U.S. share %	Latest month	From world (million dollars)	From U.S. (million dollars)	U.S. share %
Latin America							
BARBADOS	141	27	19.4	June	82	18	22.2
BERMUDA	115	53	46.3	(1)	(1)	(1)	(1)
GUYANA	145	35	24.4	Apr.	49	13	26.2
MARTINIQUE	173	14	8.1	Mar.	51	(1)	(1)
PANAMA	438	152	34.7	June	213	75	35.3
PARAGUAY	83	16	19.7	Sept.	86	16	18.9
URUGUAY	187	19	10.4	Jan.	26	2	7.6
Western Europe							
ICELAND	234	19	8.0	Oct.	264	20	7.6
IRELAND	2,107	161	7.6	Mar.	633	49	7.8
MALTA	175	10	5.7	June	108	7	6.3
Far East							
FIJI	158	5	3.0	Mar.	48	(1)	(1)
LAOS	[2]43	[2]8	[2]18.2	(1)	(1)	(1)	(1)
NEW CALEDONIA	209	9	4.4	Aug.	141	6	4.1
SABAH	209	20	9.6	July	143	14	9.9
VIET-NAM, REPUBLIC OF	690	321	46.5	Sept.	504	244	48.4
WEST MALAYSIA	1,350	119	8.9	Aug.	1,209	91	7.5
Near East-South Asia							
BURMA	135	6	4.5	June	42	(1)	(1)
CYPRUS	317	19	6.0	July	238	10	4.3
EGYPT	[2]892	[2]80	[2]9.0	June	410	(1)	(1)
IRAQ	713	29	4.1	Mar.	224	(1)	(1)
JORDAN	267	47	17.7	June	161	12	7.8
SRI LANKA (CEYLON)	335	26	7.7	June	204	(1)	(1)
SYRIA	477	21	4.5	Mar.	115	(1)	(1)
Africa							
ANGOLA	392	50	12.8	Feb.	67	8	12.0
CAMEROON	299	33	11.2	June	167	(1)	(1)
CHAD	61	2	3.2	(1)	(1)	(1)	(1)
ETHIOPIA	189	18	9.6	Mar.	45	(1)	(1)
GABON	133	15	11.2	Feb.	19	1	5.5
LIBERIA	179	54	30.3	Mar.	37	(1)	(1)
LIBYA	1,043	66	6.3	(1)	(1)	(1)	(1)
MALAGASY REPUBLIC	202	8	3.9	Apr.	59	7	12.4
MALAWI	130	2	1.9	June	64	(1)	(1)
MAURITIUS	120	4	3.4	June	70	(1)	(1)
MOZAMBIQUE	327	17	5.2	Mar.	98	5	5.1
NIGER	65	3	4.9	(1)	(1)	(1)	(1)
SENEGAL	275	17	6.0	Feb.	51	3	6.4
SIERRA LEONE	120	8	6.5	Apr.	40	3	7.2
SOMALIA	73	[2]5	[2]6.5	(1)	(1)	(1)	(1)
TANZANIA[3]	410	20	4.8	Aug.	289	8	2.6
TOGO	84	5	5.5	Feb.	16	1	4.8
UGANDA	162	5	3.2	Aug.	89	2	2.1
UPPER VOLTA	59	1	2.5	Mar.	16	(1)	(1)

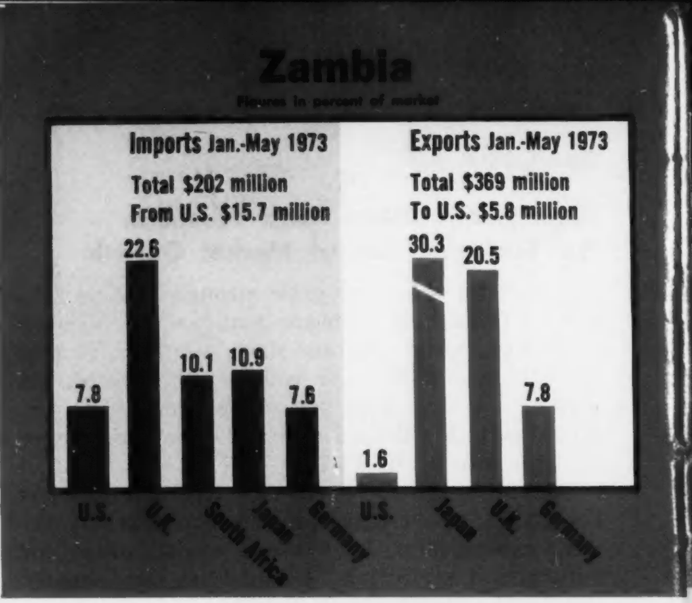
Note: The selected countries are those whose total imports are valued at $50 million or more and are not covered in the country articles in this issue. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1] Not available. [2] Estimated from partial year data. [3] Excludes Zanzibar.

Sources: Official trade statistics of listed countries. International Monetary Fund, *International Financial Statistics*.

Zambia

Earnings Soar Along With Copper Prices; U.S. Sales Up Despite Import Curbs



Zambia's export earnings are soaring as the London Metals Exchange copper price reaches record levels. Production is expected to exceed 700,000 metric tons this year, according to Sally K. Miller of Commerce's Office of International Marketing.

Mineral production value was up nearly 24 percent in the first half of 1973. Mining expansion together with a growing manufacturing sector should more than compensate for the weakened agricultural sector to generate continued GNP growth. Agriculture will receive increasing development attention as the government seeks to exploit the country's vast food raising potential.

Increasing government revenues from the mining sector will combine with substantial international transfers to enable Zambia to resume a number of development projects stalled during 1973; these will be aimed at freeing Zambia from copper's market fluctuations and creating employment opportunities.

Last year was marked by two significant events which will influence Zambia's potential to import throughout 1974. The Rhodesia-Zambia border closing necessitated rerouting the majority of Zambia's trade and thereby added time and expense to the final delivery of goods in Zambia. The import reduction achieved during the first two-thirds of 1973 actually facilitated the route readjustment.

As the government steps up licensing of imports (reportedly occurring since August), and as a greater volume of the ordered imports reaches the designated ports —Dar-es-Salaam, Lobito, Ncala, Beira and Mombasa—congestion and delays have begun to appear, particularly in Dar. Several large shipments of heavy trucks scheduled for the first quarter of 1974 should ease the freight congestion at the ports.

Zambia has acted to obtain a greater share in the management and revenues of its copper mining sector. Using its increased foreign exchange reserves and sizable European dollar loans, the government accomplished the early redemption of its copper mining shares outstanding under the 1969 Mines Agreement and moved to take a more active part in marketing. The unscheduled purchasing reduced the amount of reserves immediately on hand, but continued high copper prices should result in steady replenishment.

The import quota licensing system introduced in mid-1972 to conserve dwindling reserves and later revised early in 1973 has achieved its objective of reducing imports. From January to May 1973 imports were off 17 percent from 1972. U.S. exports through October, however, moved contrary to that trend and increased by nearly 7 percent. Estimates for the full year indicated a regaining of the $4 million lost in 1972 as well as a slight increase.

In 1974, the U.S. share should improve further as truck orders are delivered, Zambia makes purchases against the $5 million program loan, and orders placed after mid-1973 reflect the full weight of the currency realignments. The composition of our trade reflects the most salable prospects: transportation and necessary maintenance equipment, mining and mineral processing equipment, agricultural equipment, and chemicals. Increasing attention should be paid by American businessmen to selling manufacturing equipment in Zambia.

A technical sales seminar on transportation and construction equipment is planned for May 1975, and a food processing and packaging catalog show will be recruited for this September.

Although Zambia has as yet formulated no investment code, the government is receptive to proposals which mesh with development priorities and which provide for Zambian equity participation. Businessmen seeking to sell in Zambia should be aware of the government's effort to reduce commercial ties with white minority regimes to its south. Businessmen will be encouraged to forego existing marketing arrangements which provide for servicing Zambia from a regional outlet in South Africa in favor of establishing either a separate agency or manufacturing facility within Zambia.

ZAMBIA's chief imports from U.S.: construction and mining equipment, motor vehicles and parts and accessories, mechanical handling equipment, agricultural tractors, chemicals.

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Worldwide Business Services

International trade specialists in the Department of Commerce and Foreign Service Officers in the U.S. Embassies and Consulates around the world are continually developing specific commercial opportunities through which American companies can find buyers, agents, partners or investors overseas. One of the major means for communicating these opportunities promptly and accurately to the U.S. business community is through these columns of Commerce Today.

Licensing, Investment Abroad

2032, 3647, 2834, 2844 — SWITZERLAND — Seeks licenses to manufacture high quality items in the following fields: (1) **disposable hygienic supplies made from paper, plastic and other materials,** for home use, doctors, hospitals and dentists; (2) **non-prescription household medical preparations** in the form of powders, drops, creams, sprays, and similar items (e.g. for baby and infant care, mouth hygiene, treatment of minor personal discomforts); (3) general **body care products** such as bath additives, shampoos, and deodorants; and **dietetic food specialities** for diabetics, baby foods, artificial sweeteners, low calorie items, etc. Firm is leading manufacturer, importer, distributor of above items, wishes to expand line. Employs 315, sales in 1972 exceeded $25 million. C. Julen, F. Uhlmann-Eyraud SA, Chemin des Grands-Puits 28, 1217 Meyrin, Geneva, Switzerland. P-74003.

2041 — UNITED ARAB EMIRATES — Joint venture is sought to produce 100,000 tons yearly of **wheat flour** for local market and for export. Firm is newly established. The general manager was educated in the United States. Dr. Wail S. Al-Tikrity, General Manager, Metropolitan Enterprises Co., c/o Strand Hotel, P.O. Box 821, Abu Dhabi, United Arab Emirates. P-74013.

3448 — FRANCE — Steel construction firm desires licensing rights for the manufacture of **folding steel sheds.** Company estblished 1955 and employs 44. Ateliers de Construction du Pevele, 165 rue de la Quieze, Sameon, 59310 Orchies (Nord), France. P-74004. WTDR.

3452 — FRANCE — Large manufacturer of nuts and bolts, with nine factories and 2,600 employees, is seeking a licensing agreement with an American for the manufacture and sale in Europe of **special or new types of metal fasteners.** G.F.D.-Societe Generale de Forgeage & Decolletage, 15 Bld. Carnot, 90000 Belfort, France. P-74005.

3554 — JAPAN — Seeks manufacturing rights for **paper converting machinery.** Interests include laminating, slitting and cutting machines. The firm represents several Japanese paper machinery producers. H. Kawahito, Overseas Division, Sanyo-Hibiya Ltd., Central P.O. Box 1549, Kamakuragashi Bldg., 2-1 Uchikanda 2-chome, Chiyoda-ku, Tokyo 101. Cable: PAPEREXPERT TOKYO, Telex: J2-4634, Tel.: 03-252-6111. WTDR. P-74006.

3569 — SWITZERLAND — Seeks licenses to manufacture **advanced waste water equipment.** Particularly interested in complete systems for processes such as reverse osmosis, oxidation; ozonation, micro-strainers and filters. Firm is established producer of centrifugal pumps and pumping systems, complete lines of sewage pumping equipment and water treatment plants. Sales in 1972 topped $6 million. Messrs. Jaggi and Juel, Heany & Cie., Berstrasse 103, 8706 Meilen, Switzerland. P-74014.

3589 — GERMANY — Seeks license to produce **water treatment equipment and accessories for swimming pools.** Presently distributes swimming pool equipment and engages in engineering services in water treatment field. The firm's manager plans to visit the United States in March. Requests correspondence in German. Kurt Stenzel, Manager, Elektro-Physikalische Wasserbehandlungsgeraete GmbH Co. Veririebs KG, 7180 Crailsheim, Wolfgangstrasse 61, Germany. P-74007.

3612 — DENMARK — Manufacturer of electric motors and parts seeks license to produce **electric motors for forklift trucks.** Motors should meet following specifications: for activating driving operation have output ranging from 6 to 15 KW; for activating the lifting operation 6 to 12 KW; for activating the steering mechanism from 2 to 3 KW, all with a voltage of 112 V and 2,600 r.p.m. The lifting motors must be foot-mounted with hollow shafts and flanges, but without footing. All motors must be internally air cooled. The firm specializes in thyristor controlled DC motors. E. O. Farshrup A/S, 9 Transformervej, DK-2730 Herlev, Denmark. WTDR. P-74008.

3622 — SWITZERLAND — Holding company of large German firm wants to market **alarm systems** under license or joint venture. Will consider financial participation in U.S. manufacturer. Seeks microwave and radar operated electronic residential alarm, security systems. Interested in medium-range intruder detection systems for villas and vacation homes. Systems should be easy to install. Monthly sales are estimated at 3,000 units. The parent German concern produces carpets and home appliances. Has established sales networks and manufacturing subsidiaries in France, Belgium, Italy, Switzerland and Austria. Gerhard Schenk, Vorwerk International AG, Roosstr. 47, CH-8832 Wollerau, Switzerland. P-74009.

7011 — TURKEY — Motel owner in the Aegean region is seeking **motel managerial and/or financial** assistance from a U.S. firm in improving the operation of its 60 room facility. The complex, which was completed in 1971, includes seven buildings, three of which contain guest rooms with the others containing a restaurant with a terrace overlooking a beach and ewimming pool, staff quarters, laundry and electrical transformer. The area containing the hotel is accessible by ferryboat and by air; a Danish holiday village is planned nearby. Ferid Alpiskender, Cumhuriyet Bulvari 171/8, Izmir, Turkey. P-74010. OPIC.

7996 — UNITED ARAB EMIRATES — Recently established company seeks contacts with American companies interested in a joint venture to establish an **amusement park** on Abu Dhabi or an adjacent island. The project would include a hotel, restaurants and other facilities. Contact is desired with companies possibly interested in conducting a feasibility study, supervision of park construction and initial management. Dr. Wail S. Al-Tikrity, General Manager, Metropolitan Enterprises Co., c/o Strand Hotel, P.O. Box 821, Ayu Dhabi, United Arab Emirates. P-74012.

Licensing and investment proposals from foreign firms are listed in these columns. Specific product interests in each proposal are highlighted in bold type to facilitate identification and each proposal is preceded by the appropriate four-digit product number taken from the Standard Industrial Classification (SIC) Manual.

Background information on opportunities abroad and assistance on overseas investments are available from the Foreign Investment Services Staff, U.S. Department of Commerce, Washington, D.C. 20230. "P" numbers should be used when responding to specific proposals.

WTDR indicates that a World Traders Data Report containing financial and background information on the foreign firm is available for $5 from the Department of Commerce, Export Information Division, Washington, D.C. 20230, or from any Commerce District Office.

OPIC indicates that the country involved is eligible for investment insurance coverage written by the Overseas Private Investment Corporation. Information regarding applicable coverage may be obtained from OPIC, Washington, D.C. 20527.

Licensing In U.S.

These are opportunities to manufacture foreign firms' products in the United States under a licensing agreement or, in some cases, in partnership. For additional information write the Investment Services Staff, Bureau of International Commerce, Room 4020, U.S. Department of Commerce, Washington, D.C. 20230 (202-967-2248) referring to the appropriate file number.

CANADA — Company is offering for manufacture in the U.S. under license its **Testograph used in giving and recording written tests**; word or idea association; questions and answers; aptitude; psychological, and others. It records the time taken in answering each question, and has an attachment for ink blot and other visual tests. **File 2517**

CANADA — Company is offering manufacturing rights or outright sales of patent rights for its **surgical stapler** to close incisions or wounds. **File 2518**

CANADA — Company is offering for manufacture in the U.S. under license or through outright sale of patent rights on its: **pin table** which is considered a sophisticated version of the well-known Canton type table but, the manufacturer claims, without its cost and drawbacks; **high precision drill press** with a patented drill bushing frame attached to the spindle housing, allowing the drill bit to be continuously guided and in perfect alignment with the center of the drill spindle. This eliminates the need for expensive jigs and other tooling; and a **positioning, drilling and reaming machine. File 2519**

CANADA — Company is offering manufacturing rights or outright sale of patent rights on its: Small diameter **electrode guide** for all makes of spark erosion machines; and **rotary spindle** which drives electrodes of diameters up to 12 inch. It can be attached to any make of spark erosion machine and is actuated by the machine's dielectric fluid. **File 2520**

UNITED KINGDOM — Subsidiary of a large public firm is seeking a U.S. company to manufacture in the United States its line of **electric blankets, room heaters, and portable trays and carts** with electrical heating elements to keep food warm. **File 2521**

GERMANY — Company is seeking potential U.S. licensees for production of its foldable **four-way rim wrench** for passenger cars. **File 2522**

GERMANY — An inventor is seeking an American licensee to produce his patented **cardboard and plastic boxes** used for sample mailings, gift shipments, mailing of laboratory tests, souvenirs, and spare parts. **File 2523**

SWITZERLAND — Company offers manufacturing rights for its newly developed **spraying process to color metal parts**, especially chrome nickel, rhodium and polished steel surfaces, or cover them with a transparent and protective coating. The process can be used to color or coat watchcases, metal watchstraps, optical frames, jewelry, metal parts of appliances, cameras and other items. Process may be applicable to electronic printed circuitry. **File 2524**

Foreign Trade Opportunities

These trade opportunities are based on reports received from the U.S. Foreign Service by the Trade Opportunities Division, Room 1322, U.S. Department of Commerce, Washington, D.C. 20230. The commodities in which foreign firms have interest are indicated by the five-digit numbers and commodity classifications which are from the Standard Industrial Classification (SIC) Manual and the Numerical List of Manufactured Products, 1967 Census of Manufacturers.

U. S. firms should be aware that the listing in Commerce Today *of opportunities to trade in specific commodities and technical data does not necessarily imply approval of their export by the Department of Commerce pursuant to the Export Administration Act of 1969. Applicable export licensing regulations must be followed.*

Every effort is made to include only traders with good reputations. However, the Department cannot be responsible for any trade relations.

Abbreviations used are: I (importer); D (distributor); M (manufacturer); A (agent); R (retailer). To avoid delays, requests for loan material must specify country, commodity, foreign government agency.

WTDR indicates that a World Traders Data Report on this specific firm is available at $5 from the U.S. Department of Commerce, Room 1313, Washington, D.C. 20230. A WTDR is a trade profile which contains commercial information, including financial references, on an individual foreign firm. Orders must include complete name and address of the subject firm and be accompanied by payment. Further information concerning WTDR's and request forms is available at each Commerce District Office.

The mark (●) indicates that this trade opportunity is a request for bids by a foreign government agency.

Direct Sales

Foreign private firms and government agencies are interested in direct purchases of these products. See also "Representations" listing.

Construction

●16100 — HAITI — Construction of approximately 165 kilometers of highway between Leogane and Cayes across the southern peninsula of Haiti. An Inter-American Development Bank $22.5 million loan contract for this project has been signed. Qualification documents for construction supervision are not yet available, but interested firms should contact the Government of Haiti's Ministry of Public Works (Secretarie d'Etate des Travaux Publics, Des Transports et Communications), Palais des Ministeres, Port-au-Prince for further information.

Heavy construction

●16200 — MEXICO — The Federal Electricity Commission (Officina de Consursos y Contratos de la Comision Federal de Electridad, Rodano 14, Colonia Cuauhtemoc, Mexico 5, D.F.) is calling for the pre-registration of contractors and suppliers who wish to be notified of bids to be let throughout 1974 in the following areas: civil construction work, electromechanical construction work, transmission, transformation and distribution of electric energy, electric communications, industrial installations, and engineering services. There is no deadline for registration. Contractors and suppliers must also register with the Secretaria del Patrimonio Nacional, Av. Insurgentes Sur No. 552, Mexico 7, D.F.

●16200 — NICARAGUA — Bids are requested for the installation only of following: Contract 8A—24,840 meters of potable water cast iron pipe, 16 thru 36 inches in diameter; and Contract 8B—57,560 meters of asbestos cement pipe, 4 thru 12 inches in diameter, and 37,200 meters of PVC pipe, 2 inches in diameter. Contract 8A and 8B documents are available for $100 and $130, respectively, plus approximately $3 each for airmailing, from the Empreso Aguadora de Managua, Plantel Asososca, Managua, or from Hazen & Sawyer, 5950 Washington St., Hollywood, Fla. 33023. The documents may also be reviewed at the above addresses. The pipe, accessories, valves and hydrants will be furnished by the Empresa Aguadora. Bonds required: 5 percent bid bond, 20 percent performance bond. Bid deadline Feb. 20.

Textile goods

2299340 — KOREA — Acrylic yarn top. Desires to purchase 40 tons/mo. subject item on behalf of its client end-users. Firm wishes replies from U.S. suppliers informing f.o.b. price & delivery terms, etc. Reply to—Mr. Kim Yong-Kwon, V. Pres. Sangjin Business Corp., CPO Box 2706, Seoul 100. Cable: Coprogress: telex: 27336S; phone: 22-5366.

Public building and related furniture

●25300 — IRELAND — The Department of Education, Marlborough St., Dublin 1 has issued tender No. 785 for the supply and installation of furniture for post-primary school, comprising storage units and sciences and special units. Bid deadline is noon, Feb. 18. Copies of tender announcement and specifications are available only from the above address on payment of a 25-pound deposit refundable on receipt of a bona fide tender.

Industrial chemicals

●28100 — EL SALVADOR — Aluminum sulfate, potassium permanganate, unslaked lime (90 percent pure, for the control of the Ph) and sodium chlorate for chlorine dioxide. Amounts are not specified. The Government of San Salvador, Water Supply and Service Administration (ANDA) desires to contact potential supplier of above items for the San Salvador Water Supply and Treatment Plant. C.i.f. quotation requested. Required tonnage of items not presently available, but ANDA believes they will be substantial and constant. Suppliers are requested to air mail their quotation to: Napoleon H. Tercero, Jefe Del Departmento De Servicios, Administration Nacion Al De Acueductos y Alcantarillados (ANDA), 9A. Avenida Sur 214, San Salvador, El Salvador, Central America. Correspondence in Spanish requested.

Drugs

●28340 — ZAMBIA — Supply of pharmaceuticals and medicinal chemicals. Tender MF/MED/371, with no bid deadline indicated. Secretary, Republic of Zambia Central Supply and Tender Board, P.O. Box 1009, Lusaka. Specifications in English available from the U.S. Department of Commerce, Room 2130, Washington, D.C. 20230, ★(202-967-3910). A review copy will also be available at the Dept. of Commerce District Office, 11444 Federal Bldg., 450 Golden Gate Ave., San Francisco, Calif. 94102 ★(415-556-5868).

Tires, tubes

3011421 — TURKEY — Conventional & radial passenger car tubes. Quantity: approx. 26,000. Buyer will place order immediately. Interested suppliers should forward quotations based on c&f & delivery dates to buyer immediately on sizes required. Buyer is mfr. of synthetic yarns & importer of chemicals. Reply to—A. Konfidan, Sisan Sentetik Iplik Sanayii Koll, Sti., Kalcin Sokak 17, Eminonu, Istanbul. Cable Ipliksan-Istanbul; tel 226110 and 266454.

Abrasive, asbestos, nonmetallic mineral products

3291411 — SWEDEN — Steel & iron grit, shot & sand. Used for shot blasting. Co. operates as commission agent subsidiary of Rich. Steen & Sonn, Oslo, Norway. Reply to—Mr. M. Sjostrom, Rich. Steen Svenska AB, Box 535, S-501 08 Boras. Cable Stenab, Boras.

3292721 — BELGIUM — Asbestos fabrics; 3292798 Aluminized asbestos fabrics to mfr. safety clothing & protective gloves for industry. Corp. is important mfr. of industrial gloves, safety belts, protective clothing, welding screens. Reply to: Mr. Guy Janssens, Market Research Mgr., Etablissementen Vandeputte N.V. Provinciesteenweg 160, 2530 Boechout. Cable: Safetyvan; telex: 031-269; telephone: 03/55 51 51.

3292798 — SOUTH AFRICA — Lightweight asbestos board, ⅜" to 1", melamine faced, for use as fire retardant paneling in ship construction & repair. Reply to—Mr. Rodney Manser, Asst. Mgn. Dir., Leon Manser (Pty) Ltd., P.O. Box 18, Dalbridge 4014, Natal. Tel 35-5181.

Steel mill products

3312191 — PHILIPPINES — Pig-iron, 900 tons per mo., est. value $90,000 mo. Buyer large corp. which assembles & distributes Toyota cars, trucks, air conditioners & heavy equipment. Presently engaged in mfr. of engine blocks, cylinder heads & bearing caps. Total investment in machinery installation & plant facilities worth 45 million pesos ($6.7 million). Maintains office & plant in own compound in Manila suburb, with branches & service facilities all major cities & provinces in Philippines. 1972 sales volume 156 million pesos ($22.1 million). Call or telex Ricardo Silverio, Pres., Delta Motor Corp., 2285 Pasong Iamo Extension, Makati, Rizal. Telex Delta-7425009; tel 88-86-61; 88-86-41.

Fabricated structural metal products

●34410 — INDIA — Supply of galvanized transmission line towers for 220 KV power lines. Bid deadline April 5. Tenders available for 100 rupees (approx. $12.50) from tenderer, The Chief Engineer Electricity (General) Purchase Sec., Karnataka State Electricity Board, C.B.A.B. Complex, Mysore Bank Square, Bangalore 560009 or from India Supply Mission, 2536 Massachusetts Ave., N.W., Washington, D.C. 20008.

Metal stampings

3462942 — FRANCE — Conical gears with rough stamped teeth of AISI 3150 or 9850 alloy steel, modules 3-7. Buyer needs continuously from 3,000 to 10,000 per yr. Requests proposal with documentation & prices, if possible c.i.f. French port. Reply to—Mr. Y. Iltis, Mgr., WECO, B.P. 28, 68800 Thann. Telex 88012, tel. (89) 37.01.13.

Farm machinery

●35200 — ECUADOR — Equipment and machinery for experimental project known as "Banco de Arena": four sprinkler units complete with water pumps, aluminum irrigation pipe, sprinkler heads and other necessary accessories such as couplers. The sprinklers will be used to irrigate 40 to 60 hectares. Also needed are tractors, backhoes, and other excavating machinery. Spanish or English correspondence. Catalogs and descriptive literature requested. Prices quoted should be f.o.b. or c. and f. Guayaquil. Send information to: Ing. Marco Ayala, Departamento de Construccion, Inerhi Instituto Ecuatoriano de Recurso Hidraulicos, Rio Frio 314, Quito. The solicitation for bids has not yet been published. Specifications are being prepared and Inerhi needs technical information with which to prepare the solicitation.

Special industry machinery

●35500 — AUSTRIA — Machinery for the manufacture of asbestos paper in rolls 2 meters wide and 500 meters long, complete with preparatory and ancillary machines and equipment, delivery as soon as possible. Interested firms should contact Claude Labouriaux, Penzingerstr. 5/5 A-1140 Vienna, (agent).

●35500 — EL SALVADOR — The Government of El Salvador's Hydroelectric Commission (CEL) invites suppliers from the World Bank's member countries and from Switzerland to bid on the supply and installation of hydroelectric dam gate equipment, including: four radial type spillway gates about 12 meters wide and 15 meters high; two radial type intake gates of about 7 x 7 meters under a 27.50 meter waterhead, with hoists and bulkheads, trashracks, draft tube gates and diversion tunnel gates. The equipment must be in El Salvador by June 1975. Financing to be shared by the World Bank and CEL. To qualify for bidding, interested firms must send the following information to Harza Engineering Co., 150 South Wacker Dr., Chicago, Ill. 60606—(1) satisfactory experience for two years in designing, manufacturing, installing and operating gates of similar type and dimensions, including type of gate, quantity of units furnished, width and height of opening, design waterhead, year of delivery, year of operation (if available), name and location (country) of the project, and purchaser's name. The record should clearly confirm that all design and manufacture was performed by the prospective bidder, or state if major parts were designed or manufactured by others. (2) statement of financial resources, (3) a brochure describing the plant and organization, (4) banking references, and (5) any additional pertinent information. Licitacion No Cel-430. No bid deadline set, however, interested firms should qualify as soon as possible. Opening of bids, received from qualified bidders, is scheduled for March 21. Contract document no. 637-E5, providing complete specifications on the gate equipment, was to be ready for issue to qualified bidders by the beginning of January.

●35500 — HAITI — Two postage stamp vending machines capable of dispensing a variety of stamp assortments. Machines should be adaptable to Haitian coinage. Tender no. and bid deadline not specified. Administration Generale Des Postes, Place D'Italie Exposition, Attn: Marc Aurele Francois, Director General.

●35500 — HAITI — Two automatic letter canceling machines each capable of canceling 100 envelopes per minute. Tender number and bid deadline not specified. Administration Generale des Postes, Place D'Italie Exposition, Port Au Prince Attn: Marc Aurele Francois, Director General.

Electric transmission, distribution

●36120—INDIA—Supply of two power transformers rated 100 MVA, 220/66/11 KVA, two rated 60 MVA, 220/66/11 KVA, two rated 165 MVA, 11/220 KVA, and two rated 100 MVA, 220/110/11 KVA. Bid deadline April 1. Tender under IDA credit and hence restricted to World Bank countries and Switzerland. Tender specifications available for $12.50 from India Supply Mission, 2536 Massachusetts Ave., NW., Washington, D.C. or from tenderer, The Chief Engineer, Electricity (General) Purchase, State Electricity Board, C.B.A.B. Complex, Mysore Bank Square, Bangalore, 560009.

●36120—INDIA—Supply of four 75 MVA 230/110 KV Auto transformers, with on-load tap change gears, and two 50

MVA 230/110 auto transformers, with on-load top change gears. Bid deadline Feb. 27. Tender under IDA credit. Correspondence should be with The Superintending Engineer, Technical (Electrical), Tamil Nadu Electricity Board, 157 Anna Salai, Madras 600002. Tender specifications available for 100 rupees ($12.50) from India Supply Mission, 2536 Massachusetts Ave., NW., Washington, D.C., 20008, or from Deputy Financial Controller, Madras Electricity System, 155 Anna Salai, Madras 600002, with receipt furnished to tenderer.

●36130—COLOMBIA—Supply and installation of 480 volt panelboards and equipment for auxiliary services at the Chivor Hydroelectric plant. Bid deadline Feb. 18. Project financed through World Bank credit. Specifications available for 2,000 pesos ($100) for first copy and 1,000 pesos ($50) for each additional copy, from tenderer: Interconnexion Electrica SA, ISA, Calle 37 No 8-43 Piso 7, Bogota. Payment for specifications must be deposited with the Banco de Bogota's main office under acct. NR 00203240 of Interconnexion. All bids must be accompanied by a guarantee bond equivalent to 5% of total value, valid for 180 days after Feb. 18.

Communication equipment

●36600 ALGERIA—The Ministere Des Postes Et Telecommunications, Direction Des Equipment Des Telecommunications, Bureau Des Marches, 4 Blvd. Salah Bouakouir, Algiers has issued a tender for the supply of a large capacity microwave link between Telmcen, Oran, Algiers, Constantine and Anaba. Bid deadline is March 15. Copies of tender announcement and specifications are available only from above address for 200 Algerian dinars (approx. $51).

●36600 ALGERIA—The Ministere Des Postes Et Telecommunications, Direction Des Equipments Des Telecommunications, Bureau Des Marches, 4 Blvd. Salah Bouakouir Algiers has issued a tender for the supply and installation of automatic telephone switching equipment for urban, suburban, and intercity use, with initial capacity of 309,000 lines. Bid deadline is March 15. Copies of tender announcement and specifications are available only from above address for 200 Algerian dinars (approx. $51).

●36600—IRAN—The Telecommunications company of Iran, Supply Department, Kourosh Kabir Ave., Bisim-E-Pahlavi, Tehran, has issued tender No. 52/67 for the supply of two transportable microwave systems and spare parts. Bid deadline Feb. 20. Copies of tender announcement and specifications are available only from above address for 2,000 rials (RLS 67.50 = $1).

●36600 — IRAN — The Telecommunications Company of Iran, Supply Dept. Kourosh-Kabir Ave., Bisim Pahlavi, Tehran, has issued tender No. 52/101 for the supply of multiplex carrier equipment and spare parts for expansion of seven-route microwave installations. Bid deadline is March 5. Copies of tender announcement and specifications are available only from above address for 10,000 rials (RLS 67.50 = $1).

●36600 — IRAN — Supply and installation of 120 PABX's of 25 lines, 80 PABX's of 300 lines, 8 PABX's of 500 lines and 4 PABX's of 1,000 lines together with spare parts for two years maintenance. Tender No. 52/90, bid deadline March 16. Specifications available for 10,000 rials (67.50 rials = $1) from Telecommunications Co. of Iran, General Secretariat, Ave. Kourosh Kabir, Bisim Pahlavi, Tehran.

●36600 — IRAN — The Telecommunication Co. of Iran, Supply Dept. Kourosh Kabir Ave., BISIM-E- Pahlavi, Tehran has issued Tender No. 52/99 for supply of telephone exchanges with capacity of 490,000 lines and inter-urban equipment for 108 cities. Bid deadline is May 5. Copies of tender announcement and specifications are available only from above address for 60,000 rials (67.50 rials=$1).

Instruments for measurement, analysis and control

●38200 — NICARAGUA — The Empresa Aguadora De Managua, Plantel Asososca, Managua, has issued tender No. 1-D for the supply of 4,000 flow type water meters and 6,000 speed type water meters. Bid deadline March 1. Copies of tender announcement and specifications are available only from the above address for $30, plus $3 for airmail, or can be reviewed at Hazen & Sawyer, 360 Lexington Ave., New York or Hazen & Sawyer, 5950 Washington St., Hollywood, Fla.

Representations

Foreign private firms are interested in agency agreements and/or distributorships for these products.

Apparel, accessories

23812 — GERMANY — Work gloves, plastic & cotton fabrics. Quote c.i.f. Rotterdam (Netherlands) or German harbors: Bremen or Hamburg. Reply by fastest means to—R. Landers, Vice Consul, American Consulate General, 4 Duesseldorf, Cecilienallee 5, Germany.

Hand tools, general hardware

3429852 — AUSTRALIA — Fireplace screens & tools. Firm large distributor of open fireplaces seeks additional fire-screens, fireplace tools, etc. Reply to—H. H. Harvey, Gen. Mgr., A. J. Chown, Engineering Div., 420 Parramatta Road, Burwood NSW 2134. Cable "Reliable"; tel. 747-3066.

Visiting Buyers And Officials

DENMARK—D. Blach Laursen, Purchasing Agent A/S N.P. Utzon, DK-7000, Fredericia, Denmark. Manufacturer of fishnets—interested in monofilament yarn (density 840-6000). Was due to arrive at New York on January 14 for two-week stay, visiting East Coast cities.

GUATEMALA—Carlos Passarelli Prado, E. & E. Passarelli & Cia., Ltda—Confecciones Passareli—men's clothing manufacturer, 11 Avenida 32-61, Zona 5, Guatemala City, Guatemala. Is interested in training in the textile industry field, and requesting technical information of same. Will arrive at New York City in February or March for a two to three month stay. WTDR 11/72.

THAILAND—Mighty N. Thepvithool, Sathask-Driam (Thailand) Co., Ltd., 93 Mansion 10, Rajdamnern Ave., Bangkok. Manufacturers, distributors, and exporters of steel pipe; interested in importing iron (ADI and AWWA standard) for manufacturing petroleum pipeline and water pipe. Will arrive at San Francisco on Feb. 3, for 20-day stay. Intends to visit San Francisco, Chicago, Pittsburgh, New York City, and Washington, D.C. WTDR dated 8/72.

Iran To Buy Eleven Toll Collecting Machines

The Iranian Ministry of Finance, (Edareh Kole Maliathaye Ghaire Mostaghim), Nasserkhosrow Avenue, Tehran, is interested in purchasing eleven units of automatic toll collecting machines for installation on a major turnpike near Tehran. Interested U.S. firms should send catalogs and quotations to the Iranian Ministry of Finance.

Swiss Firm Seeks To Act As U.S.-USSR Go-Between

A large Swiss trading company seeks business contacts with U.S. firms able to supply varied equipment to the USSR.

The Lausanne firm, Andre, S.A. is interested in U.S. suppliers of (SIC numbers in parentheses): equipment for the production of animal feed made from corn (35222, 35226, 35228, 35330); complete slaughterhouses for pork and beef (3551313); complete plants for production of tomato puree (35523, 35529); machinery for production of industrial starch, industrial alcohol and similar products from corn (35591); pollution control equipment for industrial smoke and fumes (35646); large meat freezing plants and frozen meat transport equipment (3585178, 35853), and laboratory equipment and electronic instruments for industrial and medical R&D labs (38110, 38410).

Interested firms may write direct to: R. Chenaux, André. S.A.. 7 Chemin Messidor, 1001 Lausanne, Switzerland. Firms with no recent experience in trading with the USSR are urged to send copies of correspondence to D. Piggot, Trade Development Assistance Division, BEWT, U.S. Dept. of Commerce, Washington, D.C. 20230, (202-967-3352).

Bolivia Drops Duties On Silos; Seeks Other Farm Equipment

Bolivia urgently needs silos, and has removed import duties on that commodity for one year. Because of year-round high humidity, silos must include drying and air circulation capacity. Interest remains high in the mechanization of cotton production, especially in mechanical cotton pickers and large tractors. Other items of interest are irrigation systems, especially sprinklers, for the development of Santa Cruz wheat production, and dryers and classifiers for soybeans, which also can be used for wheat and rice. Interested U.S. firms should write: ADEPA, Casilla 1125, Santa Cruz.

Future Construction Abroad

KENYA — The Kenya Tea Development Authority invites firms to bid for the following four contracts involved in the construction and equipping of **four tea factories**, each having an annual capacity of 1.2 million kgs. of tea; (1) construction of tea factory buildings and houses; (2) steel work and cladding; (3) supply of all machinery, and (4) installation of machinery subcontract. The sites where the factories will be located are accessible by two wheel drive vehicles except during heavy rains, when four-wheel-drive vehicles may be required. The Kenyan Government has applied for a World Bank loan. Tenderers can bid for any of the above contracts and for one or more factories. Tender documents will be the same for all the factories. Tender documents, Ref. FIN/24/AGM, may be obtained from the General Manager, Kenya Tea Development Auth., P.O. Box 30213, Nairobi, upon payment of a non-refundable sum of K.SHS.200. Bid deadlin for contract 1 is noon Jan. 29, and for contracts 2, 3 and 4 is noon Feb. 15.

MOZAMBIQUE — Graham Mocke, General Manager, Southern Africa for Soros Assoc., 575 Lexington Ave., New York, N.Y. 10022, who are the consulting engineers for the **Ponta Dobela marine terminal** project, have announced that their preliminary studies are now complete and pre-qualification of bidders for the actual construction will begin soon. Different aspects of the project will be contracted for separately, with Soros remaining as supervising engineers.

UNITED ARAB EMIRATES — Mohammad Sharaf-Addin, Director of Industry in Abu Dhabi, P.O. Box 9, Abu Dhabi, announced that authorities are considering the possibility of building a **fertilizer plant**. The idea is to use approx. 100 tons of organic garbage collected daily in Abu Dhabi as a base for the product and add the necessary nutrients to produce the desired mixture. Consultants for the project are Italascorita of Italy. The Director expects to issue invitations for bids in about two months and would welcome descriptive materials from U.S. firms with experience in such technology and which are interested in receiving invitations to tender. U.S. firms should contact the Director as soon as possible. The American Embassy in Abu Dhabi, Box 2203, Abu Dhabi, UAE, Arabian Gulf, would appreciate receiving copies of descriptive materials too.

IRAN — Hadji Emadi, a well known and respected Iranian businessman, is seeking supplier of a **corrugated metal pipe plant** on a turnkey basis, on behalf of a consortium of businessmen. The plant would be located in Shiraz, have a capacity of 2,000 linear meters per day of pipe 6 inches to 96 inches in diameter. U.S. firms may write directly to Hadji Emadi, Taj Ave., Kokab St., Kuche Omie NR 31, Tehran. Mr. Emadi expects to begin negotiations with all interested firms by Feb. 1.

MALAYSIA — The Greater Ipoh Water Supply Scheme is being undertaken in two stages to **augment the water supply to the State of Perak** by 40 million gallons nominal capacity per day. The first stage is planned to expand the water supply system in the State by the abstraction of 20 million gallons of water a day from the Perak River at Parit immediately downstream of the existing Parit town waterworks intake, pumping it to a treatment works in adjacent hilly ground. Treated water from the works will be transported via concrete lined steel pipelines to two 1½ million gallon balancing reservoirs on the Ipoh-Parit road and to a new 6 million gallon reservoir at Lahat, where a booster station will lift the water to Ipoh and its surrounding area for distribution. Stage I should be in operation by the end of 1976. The Scheme will be executed under ten contracts. Some prequalification deadlines to bid on these contracts have closed, but further information may be obtained from the Consulting Engineers to the Government of Perak: Messrs. Binnie dan Rakan (Malaysia), Bangunan Bank Mercantile, Kuala Lumpur 01-23.

DOMINICAN REPUBLIC — The Pre-Investment Studies Fund, of the Technical Secretariat of the Presidency, has announced that Stanley Consultants Inc., Stanley Bldg., Muscatine, Iowa, 52761, will update its 1970 study for the **reconstruction and expansion of the Port of Haina**, west of Santo Domingo. The Director of the Fund indicated that, following the $160,000 update, a contract will be let for the final design, estimated at $1.8 to $2 million. The expected total cost, including dredging and partial relocation of the river channel, is estimated at $70 million.

MOZAMBIQUE — The Government authorized the Cabinet for the Development of the Limpopo Basin to contract with the firm Construtora do Tamega, Lda., P.O. Box 1238, Lourenco Marques, for construction of the **Second Phase of the Massingir Irrigation Dam** on the River of Elephants. The first phase was initiated in 1971 and is being constructed by the same firm, at a cost of $29 million. The Second Phase will increase the number of spillways from two to six, and asphalt the 110-kilometer road (presently gravel) linking Massingir with Aldeia da Barragem, the furthest upstream settlement of the Limpopo Colony. The anticipated cost is $13.5 million.

CHILE — The Pacific Steel Co. (CAP), which accounts for almost 95 percent of Chile's steel production, has provided the American Embassy in Santiago with a breakdown of **import needs valued at $90 million**, of which about $80 million worth of equipment has no financing. The breakdown of imports is available from the U.S. Department of Commerce, Trade Opportunities Sec., Rm. 1322, Washington, D.C. 20230.

JAMAICA — Construction of a **government office complex** will begin shortly. Estimated cost is some $1.8 million. The contract has been awarded to McAlpine Ltd., P.O. Box 711, George Town, Grand Cayman, one of the largest construction firms in the Cayman Islands. Financing will be by a loan from a consortium of local banks. U.S. suppliers of building materials, including structural steel, plumbing and lighting fixtures should write McAlpine at the above address.

GABON — Societe Gabonaise de Cellulose (SOGACEL) is working on a project to build a **cellulose (paper pulp) factory** with a capacity of 250,000 tons/year, expandable to 500,000 tons/year. The plant will be located at Kango on the Komo River, 70 miles east of Libreville. SOGACEL has a 200,000-hectare forest exploitation grant from the Government of Gabon. The economic feasibility study is completed. A Swedish company, Stora-Kopparberg, is carrying out the technical studies on the Gabonese timber, scheduled to be completed in March. SOGAFINEX, Gabonese Branch of Paris Financial Company Setimeg, is arranging the financial package and is currently in charge of the project. Estimated cost of project is $150 million, of which more than $100 million will be foreign exchange. SOGAFINEX Director estimates $30-$40 million of U.S. equipment will be needed for the plant. Interested U.S. firms should contact: M. Jean Paul Beuscher, Directeur, SOGAFINEX, B.P. 2151, Libreville.

SAUDI ARABIA — The development of water resources is a high priority item in the government's development planning, and an increasing number of government tenders in this area can be expected in the near future. Mahmood Ahmad Zahid, a member of a prominent Saudi business family, is seeking contacts with U.S. firms which would be interested in bidding on Saudi Arabian Government contracts for **drilling water wells for block agricultural development.** The value of such contracts will range from $8 to $25 million each. Zahid's interest is in acting as an agent for interested U.S. companies. His address is P.O. Box 2924, Jidda.

CANADA — Plans have been announced for the construction of a **Holiday Inn Hotel** on Dorchester Blvd., in Montreal, between Stanley and Drummond Sts. The hotel will have 880 rooms and is scheduled for completion in early 1976. It is owned by S. B. McLaughlin Assocs. (Quebec) Ltd., 1117 Drummond St., Montreal, and operated by Atlific Adm. Ltd., 630 Sherbrooke St. West, Montreal. The architects are Sankey & Assoc., 418 St. Sulpice St., Montreal, and Arcop Assoc., 1440 St. Catherine St. West, Montreal.

BOLIVIA — Mr. Oscar Arce L., President of the Santa Cruz area Milk Producers Cooperative, recently discussed his Cooperative's hopes for a **milk processing plant** capable of processing 20,000 liters per eight-hour work day, producing milk, cream, butter, yoghurt and cheese. The plant is expected to cost about $500,000. U.S. manufacturers of the necessary equipment should communicate directly with Mr. Arce at: Cooperative de Lecheros, Casilla 750, Santa Cruz.

NETHERLANDS — A list of the Dutch engineering bureaus who are members of the Netherlands Association for Sewerage Treatment, who can be expected to handle the lion's share of the design work for the construction of **38 sewerage treatment plants** over the next two years, is available from the U.S. Department of Commerce, Trade Opportunities Program, Rm. 1322, Washington, D.C. 20230. These bureaus will be the best contact points for U.S. suppliers of sewerage treatment systems seeking to get their equipment incorporated into these projects.

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